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Application Proof of



Quwan Holding Limited

趣丸集团

(the "Successor Company")

(Incorporated in the Cayman Islands with limited liability)

with respect to a de-SPAC transaction of

Vision Deal HK Acquisition Corp.

("Vision Deal")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 7827)

(Warrant Code: 4827)

WARNING

The publication of this Application Proof with respect to the de-SPAC transaction of Vision Deal (the "**De-SPAC Transaction**") is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. **The Application Proof and the De-SPAC Transaction contemplated thereunder have not been approved or reviewed by the Stock Exchange and the Commission and may be updated or revised by the Successor Company and Vision Deal from time to time and the De-SPAC Transaction as disclosed in the Application Proof may or may not materialise. Investors shall not rely on the contents of the Application Proof until it has been finalised.** By viewing this document, you acknowledge, accept and agree with the Successor Company, Vision Deal, the sole sponsor, overall coordinator or advisors that:

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THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vision Deal HK Acquisition Corp. (“Vision Deal”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM of Vision Deal to be held on [date], 2024 at [time] [a.m./p.m.]. This circular also constitutes the listing document of Quwan Holding Limited, which is the Successor Company on completion of the De-SPAC Transaction. This circular does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Vision Deal or the Successor Company.

Vision Deal HK Acquisition Corp.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 7827)

(Warrant Code: 4827)

- (1) DE-SPAC TRANSACTION COMPRISING**
 - A. PIPE INVESTMENTS**
 - B. SHARE REDEMPTION**
 - C. TARGET CAPITAL RESTRUCTURING**
 - D. SHARE TRANSFER**
 - E. MERGER**
 - F. REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION BY QUWAN HOLDING LIMITED**
- (2) INAPPLICABILITY OF THE CODES FOR DE-SPAC TRANSACTION**
- (3) PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES OF ASSOCIATION**
- (4) WITHDRAWAL OF LISTING OF SPAC CLASS A SHARES AND**
- (5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

The Successor Company



**Sole sponsor to the deemed new listing application of the Successor Company
and Sole Sponsor-Overall Coordinator**



A letter from the Vision Deal Board is set out on pages 97 to 173 of this circular. An important notice and the actions to be taken by the SPAC Shareholders are set out on pages 174 to 187 of this circular.

Vision Deal is scheduled to convene the EGM at [address] on [day], [date], 2024 at [time] [a.m./p.m.] (Hong Kong time). The notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular.

The forms of proxy for use at the EGM are also enclosed with this circular and published on the websites of the Stock Exchange at www.hkexnews.hk and Vision Deal at www.visiondeal.hk. Whether or not you are able to attend and vote at the EGM, you are requested to complete and sign the enclosed appropriate form(s) of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the Vision Deal's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than [time] [a.m./p.m.] on [day], [date]) or the adjourned meeting (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

If you are a beneficial owner whose SPAC Class A Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as a CCASS Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such SPAC Class A Shares with, other CCASS participant regarding voting instructions to be given to such persons.

If the De-SPAC Transaction is not approved by SPAC Class A Shareholders at the EGM or completed for any reason, (i) Vision Deal will not redeem any SPAC Class A Shares and all Share Redemption requests will be canceled; and (ii) subject to the deadlines under the Listing Rules, the listings of the SPAC Class A Shares and SPAC Listed Warrants on the Stock Exchange will be maintained; however, Vision Deal may not have sufficient time to identify another De-SPAC target and negotiate a De-SPAC transaction before it is required to wind up as provided for in the Listing Rules. Therefore, SPAC Class A Shareholders are strongly recommended to vote FOR the resolutions to be proposed at the EGM, EVEN IF you intend to elect to redeem some or all of your SPAC Class A Shares.

EXPECTED TIMETABLE

The following expected timetable is indicative only and is subject to change. If necessary further announcement in relation to any revised timetable will be published as and when appropriate. All times and dates in this circular refer to Hong Kong local time and dates.

Event	Expected time and date
Dispatch of this circular	.....[day], [●], 2024
Election period for SPAC Shareholders to redeem all or part of their SPAC Class A Shares commences	.....[day], [●], 2024
Latest time and date for lodging transfers of SPAC Shares for determining the entitlement to attend and vote at the EGM	.....[4:30 p.m.] on [day], [●], 2024
Closure of register of members of Vision Deal for determining the entitlement to attend and vote at the EGM	.....[day], [●], 2024
Record date for determining the entitlement to attend and vote at the EGM	.....[day], [●], 2024
Latest time for lodging proxy forms for the EGM	.....[day], [●], 2024
Election period for SPAC Shareholders to redeem all or part of their SPAC Class A Shares ends	.....[time] [a.m./p.m.] on [day], [●], 2024
Latest time for lodging transfers of SPAC Shares for determining the entitlement of SPAC Class A Shareholders to the right to receive Successor Company Shares	.....[4:30 p.m.] on [day], [●], 2024
EGM	.....[time] [a.m./p.m.] on [day], [●], 2024
Announcement of (i) the results of the EGM and (ii) amount of redemption of the Redeeming SPAC Shares to be published	.....[day], [●], 2024
Last day of dealings in SPAC Shares for determining the entitlement of SPAC Class A Shareholders to the right to receive Successor Company Shares	.....[day], [●], 2024
Closure of register of members of Vision Deal for determining the entitlement of SPAC Class A Shareholders to the right to receive Successor Company Shares	.....[day], [●], 2024

EXPECTED TIMETABLE

Closing of the De-SPAC Transaction[day], [●], 2024

Withdrawal of the listing of SPAC Class A

Shares and SPAC Listed Warrants on the Stock Exchange [day], [●], 2024

Listing of the Successor Company Shares and

Successor Company Listed Warrants on the Stock Exchange [day], [●], 2024

Announcement of the Closing and withdrawal of

the listing of the SPAC Class A Shares and

SPAC Listed Warrants on the Stock Exchange

published on the Stock Exchange’s website[day], [●], 2024

Shareholders should note that the dates and times specified in the above timetable are subject to change. Further announcement(s) will be made in the event that there is any change to the above timetable.

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SUMMARY

This summary aims to give you an overview of the information contained in this circular. As it is a summary, it does not contain all the information that may be important to you. You should read the whole circular before making a decision as to how you would cast your votes at the EGM in relation to the De-SPAC Transaction and the appropriate course of action for yourself.

There are risks associated with the De-SPAC Transaction and in any investment in the securities of the Successor Company. Some of the particular risks are set out in the section headed “Risk Factors”. You should read that section carefully before making a decision on the De-SPAC Transaction.

In this section, “we”, “us” or “our” refer to the Target Company, its subsidiaries and its Consolidated Affiliated Entities.

OVERVIEW OF THE DE-SPAC TRANSACTION

On December 8, 2023, Vision Deal signed agreements relating to the De-SPAC Transaction consisting of (i) the PIPE Investment Agreements with Quwan Holding Limited (being the Target Company and the Successor Company upon completion of the De-SPAC Transaction) and the PIPE Investors in relation to the PIPE Investments, (ii) the Share Transfer Agreements with the Target Company and the Target Disposing Shareholders in relation to the Share Transfer, and (iii) the Business Combination Agreement with the Target Company and the Target Merger Sub (a wholly-owned subsidiary of Target Company) in relation to the Merger.

The De-SPAC Transaction will result in the merger of Vision Deal with the Target Group and the listing of shares of the Target Company as the Successor Company on the Stock Exchange.

Parties to the De-SPAC Transaction

Vision Deal

Vision Deal is a SPAC that does not have any operating business. It is newly formed on January 20, 2022 to effectuate a merger with one or more businesses in any business, industry or geographical region. Vision Deal’s business strategy is to generate attractive returns for the SPAC Shareholders by selecting a high-quality De-SPAC target. Vision Deal completed the SPAC IPO comprising 100,100,000 SPAC Class A Shares at an offer price of HK\$10.00 per SPAC Class A Share and 50,050,000 SPAC Listed Warrants on June 10, 2022.

The Target Group

The Target Group is a leading interest-driven mobile social platform in the PRC that endeavors to engage, link and connect Generation Z users. With its diversified product features and functions, the Target Group encourages relationship building and social interactions among its users who are primarily game lovers, by offering services and functions that improve gameplay experience. Through its voice-based and other real-time interactions and entertainment offerings, the Target Group further enhances the formation of social connections among its users. The Target Group is the largest mobile voice-based social network platform in the PRC and the largest mobile gamer-based social network platform in the PRC, each in terms of revenue in 2022, according to Frost & Sullivan.

SUMMARY

Target Merger Sub

Target Merger Sub is a newly incorporated Cayman Islands exempted company and a wholly-owned subsidiary of the Target Company. Target Merger Sub was incorporated solely for the purpose of effecting the Merger and has not carried on any activities other than those in connection with the Merger.

PIPE Investments

Vision Deal and the Target Company have entered into PIPE Investment Agreements with the PIPE Investors. These PIPE Investors are Zheshang International, Orient Asset Management, Guangdong Finance Investment International, China Arbitrage Fund, Taizhou TS First Fortune, 37 Starseek, Bluefocus International, SensePower Management, Modern Leaves, Galaxy Link, Admellora Limited, Chinese Culture Investment and PIPE Individual Investors.

Pursuant to the PIPE Investment Agreements, the PIPE Investors have conditionally agreed to, by themselves or through their respective Qualified Investment Schemes, subscribe for, and Vision Deal has conditionally agreed to issue 57,620,000 PIPE Investment Shares (subject to adjustment to up to 61,020,000 PIPE Investment Shares upon determination of final Negotiated Value of Target) in an aggregate purchase price of approximately HK\$576 million (subject to adjustment to up to approximately HK\$610 million upon determination of final Negotiated Value of Target) at the price of HK\$10.0 per PIPE Investment Share. Vision Deal has reached an agreement with Taizhou TS First Fortune with respect to the aforementioned adjustment. The gross proceeds will be approximately HK\$576 million to approximately HK\$610 million depending on the adjustment to be made when the final Negotiated Value of Target being determined before the Closing.

Further details of the terms of the PIPE Investments are set out in “Letter from the Vision Deal Board – F. PIPE Investments”.

From the date of the Business Combination Agreement until the Listing Date, Vision Deal and the Target Company may execute one or more permitted equity subscription agreements in substantially the same form as the PIPE Investment Agreements with one or more investors that would constitute a Permitted Equity Financing (if any). Details of any Permitted Equity Financing will be announced by Vision Deal.

Share Redemption

Prior to the implementation of the Share Transfer, pursuant to the Vision Deal Articles, Vision Deal will redeem the SPAC Class A Shares from Redeeming SPAC Shareholders. Each Redeeming SPAC Share will be automatically canceled and cease to exist in exchange for the right to receive the Redemption Price.

Prior to an EGM to approve the De-SPAC Transaction, pursuant to Vision Deal Articles, Vision Deal will provide the SPAC Class A Shareholders with the opportunity to redeem all or a portion of their SPAC Class A Shares at a per-share price not less than HK\$10 payable in cash, equal to the aggregate amount then on deposit in the Escrow Account calculated as at two Business Days prior to the EGM (including interest or other income earned on the funds held in the Escrow Account and not previously released to Vision Deal to pay its expenses or taxes),

SUMMARY

divided by the number of the then issued and outstanding SPAC Class A Shares, subject to the limitations and on the conditions described in the Offering Circular. In accordance with the Vision Deal Articles, the Redemption Price per share price will not be lower than HK\$10. Should the interest income be depleted by the time SPAC Class A Shareholders submit redemption requests, such Redeeming SPAC Shareholders may not be able to receive more than HK\$10.00 but only the Redemption Price of HK\$10.00 per SPAC Class A Share, which is the original amount of their investment. The amount in the Escrow Account is initially anticipated to be HK\$1,001,000,000, representing the issuance of 100,100,000 SPAC Class A Shares at a price of HK\$10.00 per SPAC Class A Share. On this basis, the Redemption Price in any case will not be less than HK\$10.00.

There is no limit on the number of SPAC Class A Shares which a SPAC Class A Shareholder (alone or together with their close associates) may elect to redeem. SPAC Class A Shareholders may elect to redeem their SPAC Class A Shares irrespective of whether they vote for or against the De-SPAC Transaction at the EGM.

The election period for the Share Redemption starts on the date of the notice of the EGM and ends on the date and time of commencement of the EGM. The payment of the Redemption Price to the Redeeming SPAC Shareholders will be completed within five Business Days following Closing.

A Share Redemption election will not be accepted unless the duly completed and executed Redemption Election Form is accompanied by the delivery of the share certificate(s) representing the relevant number of SPAC Class A Shares to the Hong Kong Share Registrar of Vision Deal by the end of the Election Period. The Redemption Election Form is dispatched to SPAC Class A Shareholders together with the notice of EGM and this circular. Further announcement(s) will be made by Vision Deal in relation to the effective date and the amount of Share Redemption as required under Listing Rule 18B.63.

Further details of the election procedures for the Share Redemption are set out in "Important Notice to SPAC Shareholders and Actions to be Taken – B. Vision Deal Redemption Right".

Share Transfer

Vision Deal, the Target Company and each of the Target Disposing Shareholders have entered into the respective Share Transfer Agreements pursuant to which the Target Disposing Shareholders have agreed to sell and Vision Deal has agreed to acquire an aggregate of 6,286,210 Target Company Shares (35,520,546 Target Company Ordinary Shares after giving effect of the Target Capital Restructuring and the Target Company Shares Conversion), representing approximately 4.32% of the entire issued share capital of the Target Company as at the time of conducting the Share Transfer, at an aggregate consideration of HK\$298 million.

Prior to the completion of the Share Transfer, the Target Company will implement the Target Company Shares Conversion, pursuant to which the Target Disposing Shares that were originally Target Company Preferred Shares will be converted into Target Company Ordinary Shares.

SUMMARY

The consideration of the Target Disposing Shares is HK\$298 million and it will be satisfied by primarily proceeds from the PIPE Investments and proceeds from the SPAC IPO (other than the amount paid to the Redeeming SPAC Shareholders and the Dissenting SPAC Shareholders).

The Share Transfer Total Equity Value, which is approximately HK\$6,892 million, was determined through arm’s length negotiation with the Target Disposing Shareholders with reference to (i) the Target Disposing Shareholders are selling their minority shareholding interest of approximately 4.32% in the Target Company to Vision Deal; (ii) the Target Disposing Shareholders’ investment background, including the timing of investments, the expected return on investment, internal policies adopted for investment as passive investors and the aggregate investment amount of the Target Disposing Shareholders; (iii) the commercial decision of the Target Disposing Shareholders to realize their equity interest for cash in order to meet their immediate financial needs; (iv) the willingness of the Target Disposing Shareholders to sell their Target Disposing Shares at a lower valuation in exchange for receiving immediate cash as consideration; and (v) the absence of any lock-up restrictions on the Target Disposing Shares, which would otherwise be imposed on the Target Disposing Shares if the shares were not disposed.

Target Company Ordinary Shares acquired by Vision Deal in the Share Transfer will be surrendered by Vision Deal to the Successor Company for cancellation for nil consideration upon the Effective Time as the SPAC Class A Shareholders (other than the Redeeming SPAC Shareholders and the Dissenting SPAC Shareholders) and the PIPE Investors will receive, as part of the Merger consideration, newly issued Successor Company Ordinary Shares based on their beneficial ownership of such Target Company Ordinary Shares.

Further details of the terms of the Share Transfer Agreements are set out in “Letter from the Vision Deal Board – H. Share Transfer”.

Target Capital Restructuring

As part of the Target Capital Restructuring, prior to the Effective Time and the Merger, the Target Company will allot and issue a number of fully paid Target Company Ordinary Shares and Target Company Preferred Shares at par value by way of capitalizing all or any part of such amount for the time being standing to the credit of the share premium account of the Target Company and will implement a redesignation and reclassification of its share capital to Ordinary Shares.

Further details of the recapitalization of the Target Company are set out in “Letter from the Vision Deal Board – I. Target Capital Restructuring”.

The Business Combination Agreement

Pursuant to the terms of the Business Combination Agreement, the De-SPAC Transaction will be effected through the Merger of Vision Deal and the Target Merger Sub, following which the separate existence of the Target Merger Sub will cease and Vision Deal will continue as the surviving entity and become a direct, wholly-owned subsidiary of the Successor Company.

SUMMARY

Upon completion of the De-SPAC Transaction, (i) current SPAC Class A Shareholders (other than the Redeeming SPAC Shareholders and the Dissenting SPAC Shareholders) will become shareholders of the Successor Company together with the PIPE Investors, investors of the Permitted Equity Financing (if any), and the Target Remaining Shareholders, (ii) holders of the SPAC Warrants will become holders of the applicable Successor Company Warrants, (iii) listing status of Vision Deal will be withdrawn, and (iv) the Target Company will become the Successor Company, shares of which will be listed on the Stock Exchange.

The Target Merger Total Equity Value, which is HK\$8,215 million, was determined through arm's length negotiation with the PIPE Investors (who have undertaken independent due diligence on the Target Company) with reference to: (i) most recent round of pre-listing investment, (ii) business development and performance after the most recent round of pre-listing investment, and (iii) business prospects of the Target Group.

The consideration which the SPAC Shareholders will receive pursuant to the De-SPAC Transaction is as follows:

- (A) Upon Effective Time, each SPAC Class B Share held by the Promoters which are issued and outstanding will automatically cease to exist and will be converted into one fully paid SPAC Class A Share in accordance with the terms of the Vision Deal Articles and upon such conversion, all of the SPAC Class B Shares will no longer be issued and outstanding. By virtue of the Merger, each SPAC Class A Share issued in connection with the SPAC Class B Conversion will be automatically canceled and cease to exist in exchange for the right to receive one newly issued Successor Company Ordinary Share.
- (B) Upon the Effective Time:
 - (1) by virtue of Merger, each SPAC Class A Share (excluding the SPAC Class A Shares issued in connection with the SPAC Class B Conversion, the Redeeming SPAC Shares and the Dissenting SPAC Shares) will be canceled and cease to exist in exchange for the right to receive "N" newly issued Successor Company Ordinary Share based on the formula accounted ratio attributable to beneficially owned Target Disposing Shares and attributable to Merger consideration. See section under "*J. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (iv) Merger consideration – (ii) SPAC Class A Shareholders' interest in the Successor Company*" for the calculation of "N".
 - (2) each Dissenting SPAC Share issued and outstanding immediately prior to the Effective Time held by a Dissenting SPAC Shareholder will be automatically canceled and cease to exist and will thereafter represent only the right to be paid the fair value of such Dissenting SPAC Share and such other rights as are granted by the Cayman Companies Act, or (unless and until such Dissenting SPAC Shareholder fails to perfect or withdraws or otherwise loses his, her or its Appraisal Right under the Cayman Companies Act) one newly issued Successor Company Share; and

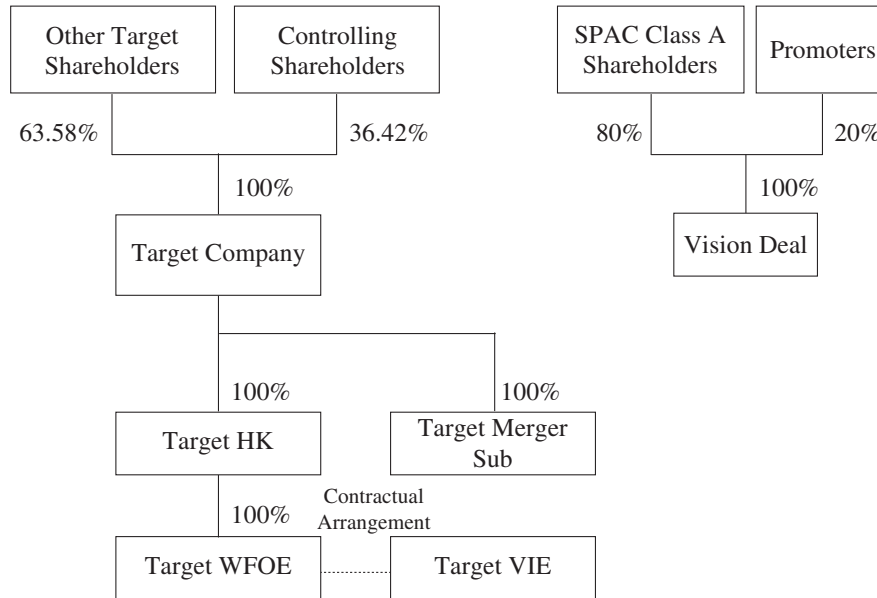
SUMMARY

(C) by virtue of the Merger, (i) each SPAC Listed Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for one Successor Company Listed Warrant; and (ii) each SPAC Promoter Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for one Successor Company Promoter Warrant.

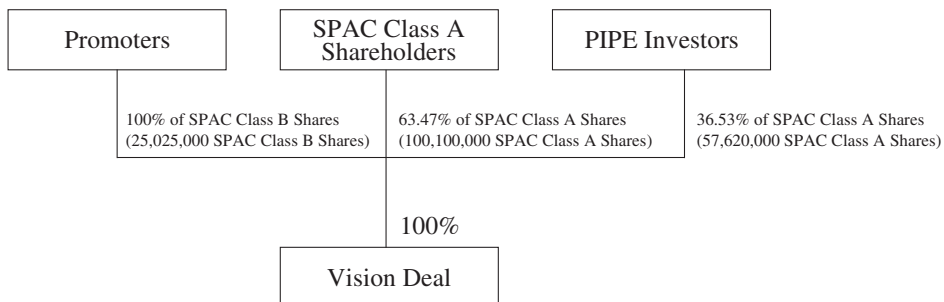
Further details of the terms of the Business Combination Agreement are set out in “Letter from the Vision Deal Board – J. The Business Combination Agreement”.

Structure of the De-SPAC Transaction

(i) The simplified corporate structure charts which show the shareholding of the Target Group and Vision Deal immediately prior to the De-SPAC Transaction are set out below:

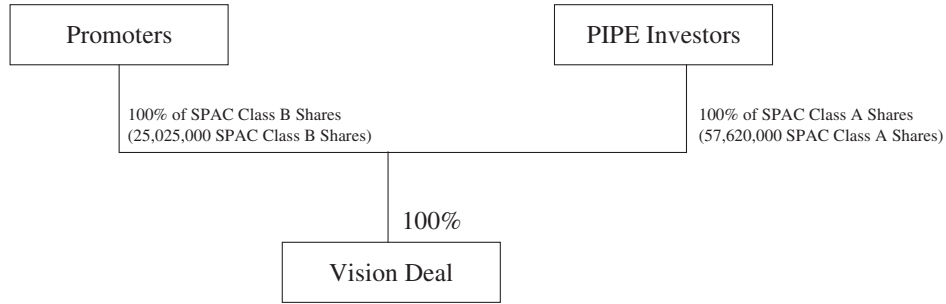


(ii) The simplified corporate structure chart of Vision Deal immediately after the implementation of PIPE Investments is set out below:

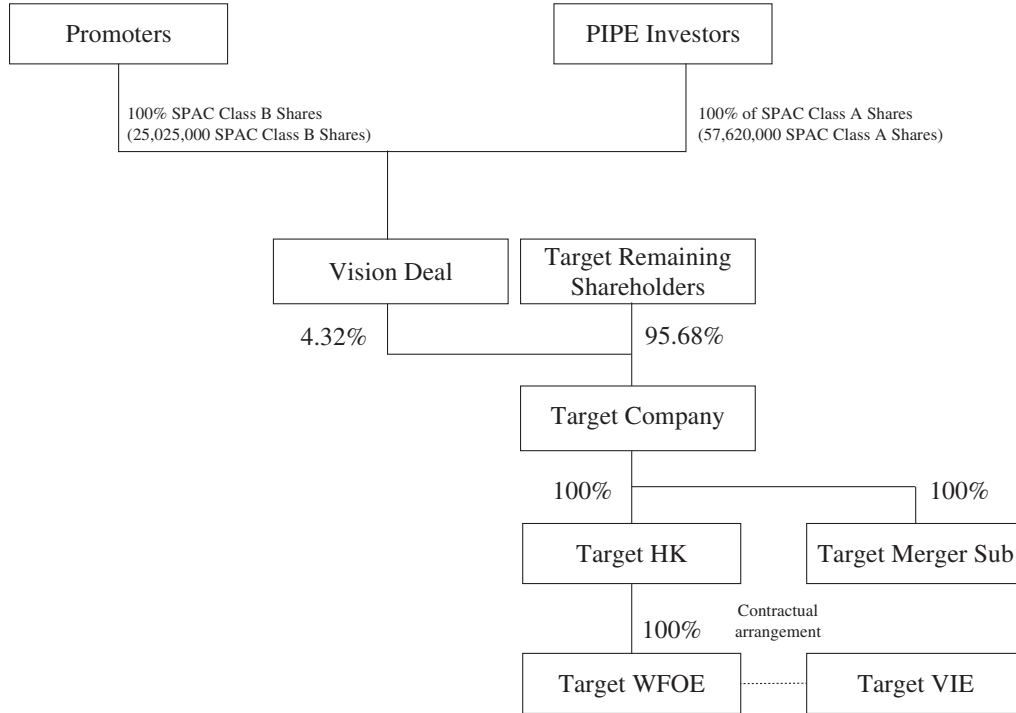


SUMMARY

(iii) The simplified corporate structure chart of Vision Deal immediately after the implementation of the Share Redemption (assuming full redemption of SPAC Class A Shares) is set out below:

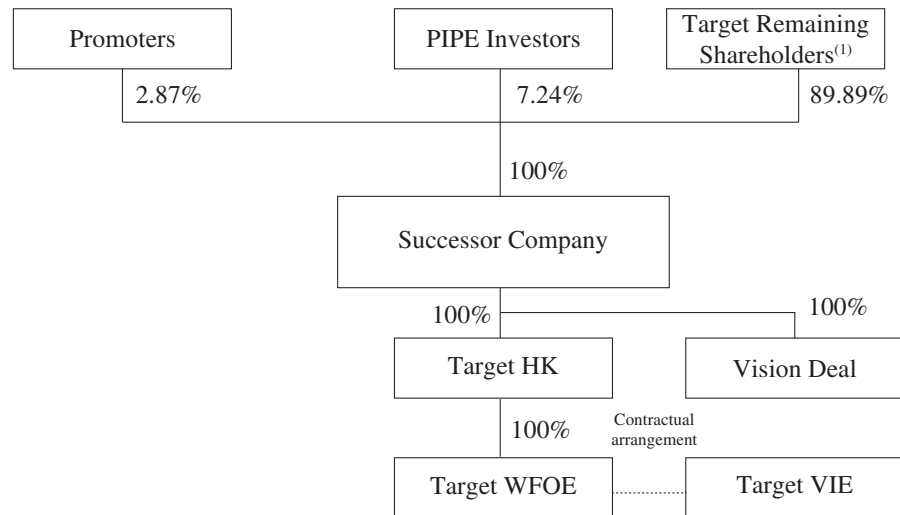


(iv) The simplified corporate structure chart of the Target Group and Vision Deal immediately after the implementation of the Share Transfer is set out below:



SUMMARY

- (v) The simplified corporate structure chart of the Successor Group following the Effective Time is set out below:



Note:

- (1) Target Remaining Shareholders include Target Controlling Shareholders and other Target Shareholders, who are interested in shareholding of 34.21% and 55.68%, respectively.
- (2) This is based on the assumption that (i) the Target Capital Restructuring is completed, (ii) all SPAC Class A Shareholder exercise their Redemption Right with respect to their SPAC Class A Shares, (iii) no SPAC Class A Shareholders exercise their Appraisal Right, (iv) 63,340,546 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements and (v) there is no Permitted Equity Financing.

Further details of the effect of the De-SPAC Transaction on the shareholdings in Vision Deal and the Successor Company are set out in “Letter from the Vision Deal Board – L. Effect of the De-SPAC Transaction on Shareholdings in Vision Deal and the Successor Company”.

REASONS FOR THE DE-SPAC TRANSACTION

As stated in the Offering Circular, Vision Deal’s business strategy is to identify and complete a De-SPAC transaction with a high-quality company in China that either specializes in smart car technologies or possesses supply chain and cross-border e-commerce capabilities to benefit from domestic consumption upgrading trends. Vision Deal has taken into account the said business strategy and developed several general characteristics for evaluating prospective De-SPAC targets. Such business strategy has been taken into account by Vision Deal and adopted as one of the non-exhaustive criteria to be used when assessing the De-SPAC targets. Since the listing of Vision Deal, Vision Deal has commenced to identify, select and evaluate De-SPAC targets from the pipeline of potential De-SPAC targets which are in line with the business strategy. Vision Deal, after conducting due diligence and sourcing exercise, has identified the Target Company which engages in the provision of online voice-based social platform, online music and entertainment service. The Target Company has been focusing on facilitating decentralized social interactions and has provided each user with equal opportunities to receive engagement and interact with other like-minded users across a diversified range of social and entertainment use cases. The Vision Deal management believes that as a leading internet driven model social platform in China, the Target Company’s principal business is coincided with the underlying business strategy of Vision Deal to identify De-SPAC target which possess the interchangeable ability in supply chain and cross-border e-commerce capability to benefit from domestic consumption upgrading trend.

SUMMARY

Vision Deal believes primary objective is to generate attractive returns for the SPAC Shareholders by selecting a high-quality De-SPAC target, negotiating favorable acquisition terms at an attractive valuation, and improving the operating and financial performance of the Successor Company, the primary objective could be achieved by conducting the De-SPAC Transaction with the Target Company. This selection of the Target Company as the De-SPAC target to complete the De-SPAC Transaction therefore could achieve the objective of generating attractive returns for Vision Deal’s shareholders and to accomplish the announcement and completion of a De-SPAC Transaction within a shorter timeframe (i.e. within 18 months and 30 months of the SPAC Listing Date, respectively). Vision Deal considers that the Target Company has favourable and suitable characteristics and that it would be in the interest of Vision Deal to enter into the De-SPAC Transaction with the Target Company for the following reasons:

- **Leading Interest-driven Mobile Social Platform.** The Target Group is the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China, each in terms of revenues for 2022, according to Frost & Sullivan;
- **Large and Engaged User Community.** In 2022, the Target Group’s average monthly active users reached 13.8 million, and its average monthly paying users reached 1.0 million;
- **Diversified Product Features Bringing About Captivating User Experience.** The Target Group provides an online destination for its users, including game lovers, to socialize and have fun together and addresses the varying social needs of its users, by helping them to find, connect, interact and have fun with their new friends;
- **Solid Technological Infrastructure.** The Target Group’s ability to attract and serve a large and active user base is underpinned by its data analytics and technology infrastructure through years of development;
- **Shared Community Value Resulting in Strong Monetization Potential.** The Target Group purposefully fosters a user community and a facilitating environment that drive like-minded users’ inherent desire to engage with each other, and to monetize the social relationships built and enhanced in its user community; and
- **Professional and Experienced Leadership.** The Target Group’s platform was founded on its passion for games and bringing people together. The Target Group’s founder is an entrepreneur in the game industry with deep insight into the interests and needs of game lovers and Generation Z in China, who has led experienced senior management team of the Target Group to spearhead its rapid growth and expansion.

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For further details, see “Letter from the Vision Deal Board – E. Reasons for the De-SPAC Transaction”.

Taken into account the aforementioned and the terms of the Business Combination Agreement, the PIPE Investments, the Share Transfer and other arrangements as set out below, the Vision Deal Directors (including the independent non-executive Directors of Vision Deal) consider that the terms of the De-SPAC Transaction are fair and reasonable and in the interests of the SPAC Shareholders as a whole. For further details, see “Letter from the Vision Deal Board – J. The Business Combination Agreement”, “Letter from the Vision Deal Board – F. PIPE Investments”, “Letter from the Vision Deal Board – H. Share Transfer” and “Letter from the Vision Deal Board – K. Other Arrangements”.

LISTING RULES IMPLICATIONS OF THE DE-SPAC TRANSACTION INVOLVING A NEW LISTING APPLICATION

Vision Deal is required to comply with applicable Listing Rules regarding reverse takeovers with respect to the De-SPAC Transaction. Under Listing Rule 14.54, the Successor Company will be treated as if it were a new listing applicant. The Target Group is required to meet the requirements under Listing Rules 8.04 and 8.05 and the Successor Group must meet all basic listing eligibility requirements set out in Chapter 8 of the Listing Rules (except Listing Rule 8.05). The Successor Company must also comply with the procedures and requirements as set out in Chapter 9 of the Listing Rules to submit a new listing application to the Stock Exchange, for the listing of, and permission to deal in, the Successor Company Shares and the Successor Company Listed Warrants.

The new listing application is subject to approval by the Listing Committee, which may or may not grant its approval. If such approval is not granted, the PIPE Investments, the Share Transfer Agreements and the Business Combination Agreement will not become unconditional and the De-SPAC Transaction will not proceed.

The Successor Company has made an application to the Stock Exchange for the listing of, and permission to deal in, the Successor Company Shares and the Successor Company Warrants on the Main Board of the Stock Exchange. China International Capital Corporation Hong Kong Securities Limited has been appointed as the Sole Sponsor to the Successor Company’s listing application. Vision Deal will make an application to the Stock Exchange for the withdrawal of listing of the SPAC Class A Shares (which will be subject to approval by SPAC Class A Shareholders) and the SPAC Listed Warrants. Upon the Closing, the listing statuses of the SPAC Class A Shares and the SPAC Listed Warrants will be withdrawn, and the Successor Company Shares and the Successor Company Listed Warrants will become listed on the Main Board of the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, Successor Company Shares and the Successor Company Warrants on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Successor Company Shares and the Successor Company Warrants will be accepted as eligible securities by HKSCC for deposit,

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clearance and settlement in CCASS with effect from the commencement date of dealings in the Successor Company Shares and the Successor Company Warrants on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. Dealings in the Successor Company Shares and the Successor Company Warrants on the Stock Exchange will be subject to the payment of stamp duty, Stock Exchange trading fee, the SFC transaction levy or any other applicable fees and charges in Hong Kong.

The De-SPAC Transaction is conditional upon, (i) the completion of the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger, (ii) the withdrawal of listing of the SPAC Class A Shares, (iii) the adoption of the Private Company Memorandum and Articles by Vision Deal being approved by the SPAC Class A Shareholders at the EGM and (iv) the compliance with applicable Listing Rule requirements (including the requirement for the Successor Company to have a minimum number of 100 Professional Investors at the time of Listing under Listing Rule 18B.65), unless a waiver from strict compliance with any of these requirements is granted by the Stock Exchange.

APPRAISAL RIGHT OF DISSENTING SPAC SHAREHOLDERS

Section 238 of the Cayman Companies Act provides for the Appraisal Right of the Dissenting SPAC Shareholders to be paid the fair value of their SPAC Shares, subject to limitations under Section 239 of the Cayman Companies Act. SPAC Class A Shareholders have the Appraisal Right in connection with the De-SPAC Transaction under the Cayman Companies Act. SPAC Class A Shareholders who wish to exercise their Appraisal Right must follow the statutory procedures prescribed in the Cayman Companies Act as set out in “Important Notice to SPAC Shareholders and Actions to be Taken – D. Appraisal Right of Dissenting SPAC Shareholders”.

The Vision Deal Board has determined that the Redemption Price represents the fair value of the SPAC Shares. If the Dissenting SPAC Shareholders do not agree with the fair value determined by the Vision Deal Board and file a petition with the Cayman Court for a determination of the fair value of the Dissenting SPAC Shares, the Cayman Court will determine the fair value of the Dissenting SPAC Shares as at the date of the EGM at which the Merger is approved.

Further details of the Appraisal Right (including the procedures for exercising the Appraisal Right and the determination of the fair value of the SPAC Shares) are set out in “Important Notice to SPAC Shareholders and Actions to be Taken – D. Appraisal Right of Dissenting SPAC Shareholders”. SPAC Shareholders who wish to exercise their Appraisal Right should seek their own advice on the application and procedure to be followed in respect of the appraisal rights under the Cayman Companies Act.

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OVERVIEW OF THE TARGET GROUP’S BUSINESS AND OPERATIONS

What We Do

We are a leading interest-driven mobile social platform in China that endeavors to engage, link and connect Generation Z users. With our diversified product features and functions, we encourage relationship building and social interactions among our users who are primarily game lovers, by offering services and functions that improve gameplay experience. Through our voice-based and other real-time interactions and entertainment offerings, we further enhance the formation of social connections among our users.

We built our platform to be interest-driven, decentralized and voice-based to foster social relationships. Our platform attracts users who share similar interests, such as enthusiasm for games and music. The shared interests offer a universal language that helps establish and deepen interpersonal relationships. We promote a decentralized community, where we provide social entertainment scenarios that facilitate multi-way interactions among multiple users. On traditional live streaming platforms, chatrooms are centered around the live streamed performance of a professional host with massive participants simply being viewers, whereas on our platform, multiple users can interact with each other in chatrooms with more interpersonally connected online social environment through voice, text, virtual gifts, and a variety of other social and entertainment functions offered in our chatrooms, fostering a “decentralized” community. This user community fosters an open environment that gives users a personal cyberspace to express themselves, encouraging them to form relationships built on their shared interests and passion in games and other topics. Our voice-based platform is appearance-agnostic and is suitable to express varied emotions and establish real-time companionship, bringing strangers closer and fostering interpersonal connections. We are the largest mobile voice-based social network platform in China and achieved a market share of 13.5% among all mobile voice-based social network platforms in China, each in terms of revenue in 2022, according to Frost & Sullivan. Our deep understanding of Generation Z and their broader social needs allows us to create a highly interactive social environment that encourages our users to explore new areas of interest through voice-based social interactions.

We operate the *TT Chat* platform, with 12.6 million average MAUs in the six months ended June 30, 2023. Through its interactive functions, *TT Chat* encourages communications and promotes interactions among users. Our matching algorithm encourages users of different locations and hobbies to team up and socialize with each other based on relevant data points such as their gaming experiences and common interests. Its core function matches users who may be initially unknown to each other based on their individual profiles and entertainment and social needs in a voice chat room setting, creating a socially engaging and fun experience with rich interactive features and entertainment scenarios. Among these scenarios, gaming is one attractive entry point given its popularity and cohesiveness among users. We are the largest mobile gamer-based social network platform in China and achieved a market share of 20.2% among all mobile gamer-based social network platforms in China, each in terms of revenues in 2022, according to Frost & Sullivan. *TT Chat* strives to improve the game co-experience for our users, through finding each interested user the most suitable game buddies with the right

SUMMARY

levels of skills, playing styles and preferences, and other relevant game facilitation attributes. Leveraging our advanced voice-based platform, we also offer an increasing number of voice-based social entertainment scenarios to promote post-game social interactions among users. In addition to gaming, we are expanding into other areas of social interests, such as role-play dubbing and music.

Who We Serve

We have a large and engaged user base. Our users are constantly exploring new social connections with others with similar interests and passions. As of June 30, 2023, over 90% of our users were aged 30 or below based on information available to us. In the six months ended June 30, 2023, our users spent an average of approximately 181 minutes every day in our voice chatrooms. In addition to voice chatrooms tailored for popular games, we offer in-app mini casual social games and other social entertainment scenarios on our platform for users to relax and socialize after gameplay to further increase user time spent. We have a balanced gender distribution among our paying users, approximately 48.9% of which were female in June 2023.

How We Generate Revenue

We primarily monetize our services through users’ consumption of virtual items sold on *TT Chat* as they interact with other users and hosts. In the six months ended June 30, 2023, the value-added services and audio entertainment services accounted for 74.8% and 23.1% of our revenue, respectively. Purchase and consumption scenarios are seamlessly integrated into the diversified social networking and entertainment features and functions on our platform, where users can purchase a wide range of selection of virtual items and send them as gifts to others, to express themselves and deepen their social relationships with friends made on our platform. Such virtual items mainly include consumable virtual gifts to be presented to other users and privileges that allow the users to showcase their virtual identities in a voice chat room.

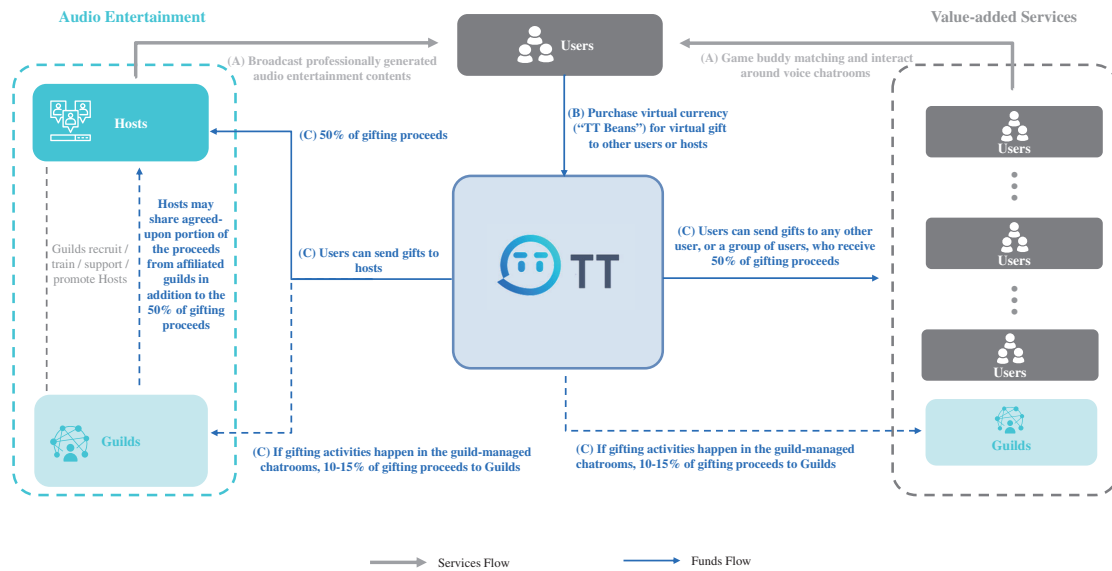
We take a portion of the virtual items’ value when users consume their virtual items on our platform. For details of how we generate revenues under different scenarios, see “Business of the Target Group – Our Monetization.”

- We design certain types of our voice chatrooms with features and functions that encourage multi-way interactions among multiple users as well as between users and hosts, such as matching features, functions tailored to specific voice-based social entertainment activities, and interactive features and functions such as chatting and virtual gifting between users. Our users can team up in popular games operated outside of our platform, chat with other users who share common interests, play casual social games together and participate in social entertainment activities at their choice, such as online dating, online karaoke and roleplay dubbing. In this process, our users can send virtual gifts to each other and to the hosts to show their appreciation. Functions and features offered in such multi-way interaction scenarios are part of our value-added services.

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- We also contract with hosts who broadcast entertainment contents mainly in audio streaming rooms to a large audience of users who can send virtual gifts to hosts to show their appreciation and support. Functions and features offered in such audio streaming scenarios are part of our audio entertainment services.

The diagram below sets forth the roles of, the transactions and fund flows among the *TT Chat* platform, hosts and guilds and users. For details of our arrangement with hosts and guilds, see “Business of the Target Group – Our Platforms – The *TT Chat* Social Experience – Hosts and guilds on our platform.”



Note:

- For the value-added services, we contract with guilds which are involved in the management of some voice chatrooms, and we usually do not directly contract with and manage the hosts affiliated with these guilds.
- Users come to our *TT Chat* platform to enjoy multi-way interactions among users and with hosts.
- Users purchase virtual currency TT beans (recorded as contract liability when unconsumed), which can be exchanged for virtual gifts.
- As users send virtual gifts to each other or to hosts, revenue are recognized in accordance with our revenue recognition policy. For details, see “Business of the Target Group – Our Monetization” and “Financial Information of the Target Group – Critical Accounting Policies, Estimates and Judgments – Revenue Recognition.” Upon receipt of virtual gifts (which will be converted into virtual token TT points), users can elect to convert them into virtual currency TT beans (which are recorded as accounts payable) or cash.

To elevate our brand and enhance our value propositions to our users, we also engage in other businesses, such as Esports team operations, which also provide us with attractive monetization and marketing opportunities.

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The table below sets forth a breakdown of our total revenues generated by underlying services provided for the periods indicated. We generated substantially all of our revenues from sales of virtual items during the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Sales of virtual items	1,420,753	95.1	2,544,091	96.7	3,308,590	97.2	1,622,133	97.7	1,572,608	96.6
– Value-added services (users-only interaction scenarios)	148,738	10.0	175,687	6.7	199,000	5.8	104,617	6.3	87,442	5.4
– Value-added services (multi-user interaction scenarios in chatrooms managed by guilds)	1,208,394	80.8	1,847,555	70.2	2,305,859	67.8	1,092,884	65.9	1,109,710	68.1
– Audio entertainment services	63,621	4.3	520,849	19.8	803,731	23.6	424,632	25.5	375,457	23.1
Membership subscription	–	–	12,725	0.5	37,808	1.1	17,823	1.1	20,700	1.3
Esports team operation	14,327	1.0	49,826	1.9	34,209	1.0	7,781	0.5	23,797	1.4
Game distribution	58,340	3.9	21,595	0.8	19,525	0.6	10,701	0.6	7,631	0.5
Others	–	–	2,355	0.1	1,858	0.1	1,051	0.1	2,732	0.1
Total Revenue	<u>1,493,420</u>	<u>100.0</u>	<u>2,630,592</u>	<u>100.0</u>	<u>3,401,990</u>	<u>100.0</u>	<u>1,659,489</u>	<u>100.0</u>	<u>1,627,468</u>	<u>100.0</u>

OUR STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and enable us to fulfill our mission and achieve long-term success.

- Leading Interest-driven Mobile Social Platform
- Large and Engaged User Community
- Diversified Product Features Bringing about Captivating User Experience
- Solid Technological Infrastructure
- Shared Community Value Resulting in Strong Monetization Potential
- Professional and Experienced Leadership

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OUR STRATEGIES

We intend to achieve our mission and further solidify our leadership position by focusing on the following growth strategies:

- Drive Healthy and High-quality User Base Expansion
- Engage User Community with Diversified Offerings
- Enhance Technology Capabilities
- Explore Overseas Expansion Opportunities

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of (i) paying users on our platform who buy and consume virtual items and other services we offer, and to a much lesser extent (ii) Esports operators and third-party game developers. We do not have any concentration in our top customers. Our top five customers only accounted for 1%, 2%, 1% and 1% of our total revenues in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. For details, see “Business of the Target Group – Customers and Customer Support.”

Our suppliers mainly include advertisement agencies, hosts and guilds, game content developers and other distributors, payment channels and service providers for cloud computing and bandwidth consumption. Our top five suppliers accounted for 35%, 25%, 14% and 13% of our total purchases in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. Our largest supplier accounted for 16%, 9%, 4% and 3% of our total purchases in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. For details, see “Business of the Target Group – Suppliers and Procurement.”

COMPETITION

We are a leading interest-driven mobile social platform in China. We are the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China in terms of revenues in 2022, according to Frost & Sullivan. We achieved a market share of 13.5% and 20.2% among all mobile voice-based social network platforms and mobile gamer-based social network platforms, respectively, in China in terms of revenues in 2022. To a much lesser extent, we also compete with other platforms offering online entertainment services such as online video platforms, social media platforms and online music platforms for user time spent in general. For details, see “Business of the Target Group – Competition.”

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RISK FACTORS

There are risks associated with the De-SPAC Transaction and an investment in the Successor Company’s securities. You should carefully consider all of the information in this circular, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before your investment decision. Some of the major risks we face relate to:

- our ability to maintain and increase our user base and user engagement;
- the effectiveness of our monetization strategies and the sustainability of our revenue and profit;
- our ability to develop and provide our users with new features and services;
- the growth of our industry and the market acceptance of our platform and services;
- our ability to attract and foster a vibrant community of hosts;
- our ability to keep up with technological developments and evolving user expectations;
- our ability to cope with changes in popularity of games and adapt to regulatory developments that affect the mobile game industry;
- our ability to compete effectively against our current or potential competitors;
- the fact that the laws, regulations and official guidance relating to our business are complex, evolving rapidly and may be subject to further changes;
- our ability to obtain and maintain the required regulatory licenses and approvals;
- the effectiveness of our content monitoring system in preventing misconduct on our platform; and
- the impairment risks in connection with our goodwill and other intangible assets.

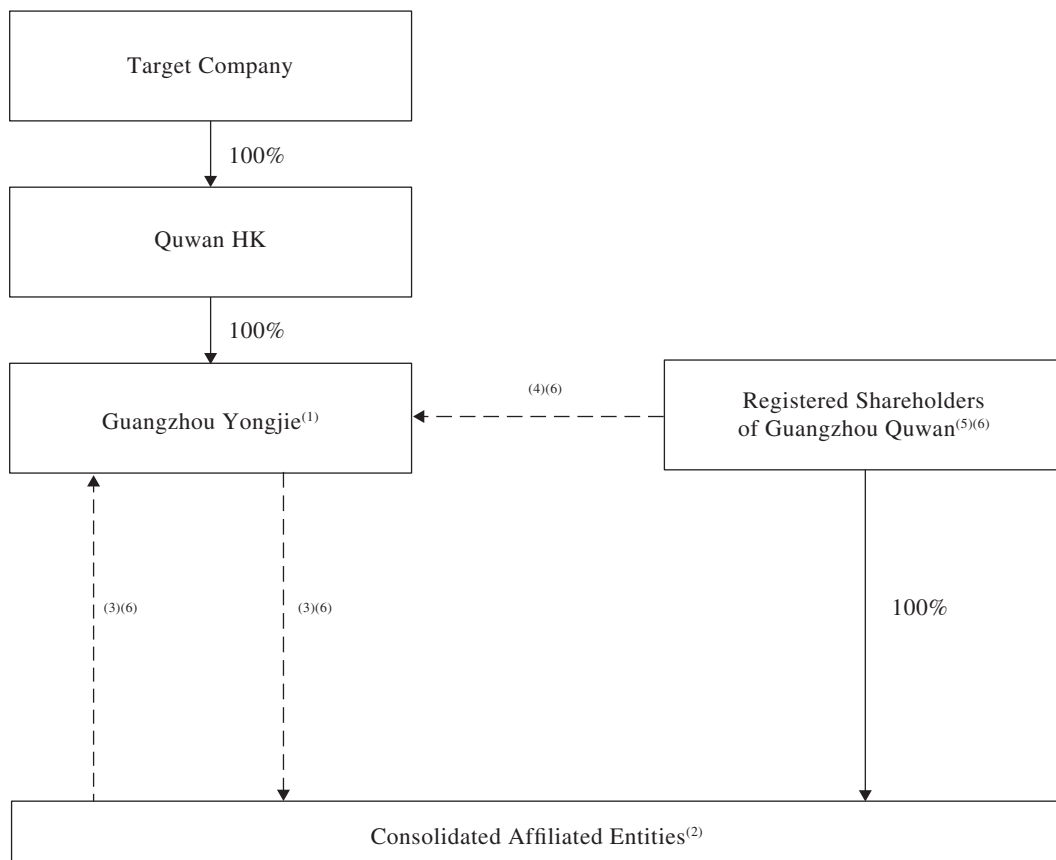
CONTRACTUAL ARRANGEMENTS

The Target Group is or intend to be engaged in (i) the provision of online audio content, online music and entertainment, which falls within the scope of internet cultural activities, and hold the ICB License; (ii) the provision of online audio-visual programs, which falls within the scope of internet audio-visual program services, and hold the AVSP License or are applying for the registration in the National Internet Audio-visual Platform Information Management System (the “Audio-visual Registration”); and (iii) the provision of online information services, which falls within the scope of value-added telecommunication services, and hold or intend to apply for the ICP License. However, foreign investors are prohibited from holding

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equity interests in an entity conducting internet cultural activities (except for music) and internet audio-visual program services, and are, subject to China’s WTO commitments, restricted to hold equity interests in an entity conducting value-added telecommunication services (except for e-commerce, domestic multiparty communication, storage-and-forward and call center services) according to the currently effective PRC laws and regulations. In order to comply with the PRC laws and regulations, maintain effective control over the business currently operated by Guangzhou Quwan and its subsidiaries that is subject to the foreign investment restriction and prohibition and receive all of the economic interest of Guangzhou Quwan, Guangzhou Yongjie entered into the Contractual Arrangement with Guangzhou Quwan, the Registered Shareholders of Guangzhou Quwan and the general partners of the limited partnership Registered Shareholders of Guangzhou Quwan. The Contractual Arrangements allow the results of operations, assets and liabilities, and cash flows of the Consolidated Affiliated Entities to be consolidated into the Target Company’s financial information. See “Contractual Arrangements” for further information.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the Target Group stipulated under the Contractual Arrangements after completion of the Reorganization:



“_____” Denotes legal and beneficial ownership in the equity interest

“-----” Denotes the Contractual Arrangements

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Notes:

- (1) As of the Latest Practicable Date, Guangzhou Yongjie is wholly owned by Quwan HK, which is in turn wholly owned by the Target Company.
- (2) As of the Latest Practicable Date, the Consolidated Affiliated Entities include Guangzhou Quwan and its subsidiaries, Guangzhou Shabake, Guangzhou Huancheng, Hainan Yuyue, Beijing Quyue, Chongqing Qudu, Guangzhou Quchuang, Guangzhou Qujing, Xiamen Saimailei, Guangzhou Jingwan, Zhuhai Huitou, Shanghai Xiaojianbing, Shanghai Chenlong, Chengdu Spherical World, Guangzhou Quzhu, Guangzhou Xinyan, Huayu Shiji, Yitian Lianxun and Huayu Tianxia. As of the Latest Practicable Date, Guangzhou Jingwan is in the process of deregistration as it is not engaged in any business operation.

For further details of the subsidiaries of Guangzhou Quwan, see the section headed “History, Reorganization and Corporate Structure of the Target Group”.

- (i) Guangzhou Shabake, Guangzhou Huancheng, Hainan Yuyue, Beijing Quyue, Chongqing Qudu, Guangzhou Quchuang, Guangzhou Qujing, and Zhuhai Huitou and Huayu Shiji are directly wholly owned by Guangzhou Quwan.
 - (ii) Shanghai Xiaojianbing, Shanghai Chenlong and Chengdu Spherical World are wholly owned by Zhuhai Huitou; Guangzhou Xinyan is held as to 60% by Zhuhai Huitou; Guangzhou Quzhu is wholly owned by Shanghai Xiaojianbing.
 - (iii) Xiamen Saimailei and Guangzhou Jingwan are wholly owned by Guangzhou Qujing.
 - (iv) Yitian Lianxun is wholly owned by Huayu Shiji and Huayu Tianxia is wholly owned by Yitian Lianxun.
- (3) Guangzhou Yongjie provides consultancy, technology and other services in exchange for service fees from Guangzhou Quwan. See “Contractual Arrangements of the Target Group – Exclusive Technical Service Agreement”.

The Registered Shareholders of Guangzhou Quwan and the general partners of the Partnership Shareholders executed the Exclusive Call Option Agreement (as defined below) in favor of Guangzhou Yongjie for the acquisition of 100% equity interests and/or assets in Guangzhou Quwan. See “Contractual Arrangements of the Target Group – Exclusive Call Option Agreement”.

- (4) The Registered Shareholders of Guangzhou Quwan pledged all of their respective equity interests in Guangzhou Quwan to Guangzhou Yongjie as security for their respective performance and the performance of Guangzhou Quwan under the Exclusive Technical Service Agreement (as defined below), the Exclusive Call Option Agreement (as defined below), the Equity Pledge Agreements (as defined below) and the Shareholder Voting Rights Proxy Agreement (as defined below), as applicable. See “Contractual Arrangements of the Target Group – Equity Pledge Agreements”.

The Registered Shareholders of Guangzhou Quwan executed the Powers of Attorney in favor of Guangzhou Yongjie in respect of their respective rights as shareholders of Guangzhou Quwan.

- (5) Guangzhou Quwan is in turn owned by the Registered Shareholders of Guangzhou Quwan, namely as to: (i) 35.40% by Mr. Song, the founder, chairman of the board of directors and Chief Executive Officer of the Target Company; (ii) 22.87% by Shanghai Qushen, a limited partnership organized in the PRC and an affiliate of Galaxy Nebula Limited, which is a holder of the Target Company Ordinary Shares, and the general partner of which is Mr. Song; (iii) 15.62% by Xiamen Quji, a limited partnership organized in the PRC, the general partner of which is Mr. Song; (iv) 9.82% by Wenzhou Huanqu, a limited partnership organized in the PRC majority owned by Mr. Song, the general partner of which is Mr. Song; (v) 5.00% by Guangzhou Quyi, a limited partnership organized in the PRC and an affiliate of Dream League Limited, which is a holder of the Series Angel Preferred Shares, and the general partner of which is Mr. Song Guowen, who is the brother of Mr. Song; (vi) 4.01% by Zhangshu Weiqu, a limited partnership organized in the PRC majority owned by Mr. Song and in which he is the general partner; (vii) 3.97% by Mr. Qiu Zhizhao; and (viii) 3.31% by Mr. Chen Guangyao, an executive Director of the Target Company (The limited partnership registered shareholders as referred in aforementioned items (ii) to (vi), collectively as “**Partnership Shareholders**”).
- (6) According to the Partnership Law of the PRC (《中華人民共和國合夥企業法》), in accordance with the partnership agreement or upon the decision of all the partners, one or more partners may be entrusted to represent the partnership externally and act on behalf of the partnership while all other partners no longer act on behalf of the partnership.

Pursuant to each partnership agreements of the Partnership Shareholders, upon the decision of all partners, the general partner (Mr. Song Ke or Mr. Song Guowen, as the case may be) of each Partnership Shareholders is entrusted to act on behalf of the Partnership Shareholders. Under the Exclusive Call Option Agreement, Equity Pledge Agreements and Shareholder Voting Rights Proxy Agreement, the general partner of each Partnership Shareholders, on behalf of the Partnership Shareholders and himself, (i) agreed to the arrangements thereunder; (ii) confirmed that the arrangement thereunder shall be legally binding on the Partnership Shareholders; (iii) agreed to procure the Partnership Shareholders to comply with the terms thereof; (iv) agreed that the decision-making arrangement in connection with the disposal of the Partnership Shareholders’ interests in Guangzhou Quwan shall be in accordance with the terms thereof.

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Based on the above, the Target Company’s PRC Legal Advisor is of the view that save as disclosed in the subsection headed “Contractual Arrangements of the Target Group – Legality of the Contractual Arrangements”, except the dispute resolution clauses, (i) the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on all parties thereto (whether they are individuals, companies or limited partnerships) (ii) the Partnership Shareholders as registered shareholders are bound by the Contractual Arrangements to the same extent as that applicable to registered shareholders who are individuals, and (iii) the Contractual Arrangements of the Target Company have the same binding effect as compared to other cases where the equity interests of the operating companies are directly held by individual shareholders.

For the risks relating to the Contractual Arrangements, see “Risk Factors – Risks Related to the Target Group’s Corporate Structure.”

On March 15, 2019, the NPC approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Ventures Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign Invested Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. As advised by PRC Legal Advisor to the Target Company, contractual arrangements are not specified as foreign investment under the PRC Foreign Investment Law, and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements do not contravene the PRC Foreign Investment Law in any material aspect, and will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “Contractual Arrangements of the Target Group – Legality of the Contractual Arrangements” for details.

Notwithstanding the above, the PRC Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the 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 by relevant PRC authorities. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors – Risks Related to the Target Group’s Corporate Structure – The interpretation and implementation of the PRC Foreign Investment Law is subject to amendments and changes, and its enactment could adversely affect the Target Company’s business, operating results and financial condition.”

SUMMARY

THE CONTROLLING SHAREHOLDERS

Immediately following the Closing (assuming the Presumptions), Mr. Song, through SK Family Trust, Future Exploration, Funplus and Vanker and by virtue of the Voting Proxy Agreements, controlled the voting rights of 426,559,040 Successor Company Shares of the Successor Company, representing approximately 43.62% of the total issued share capital of the Successor Company. Funplus and Vanker held approximately 20.35% and 10.24% of the total issued shares of the Successor Company, respectively. Both of Funplus and Vanker are wholly owned by Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust, of which Mr. Song is the founder and settlor and the beneficiaries of which are Mr. Song and Exploring Time Limited (wholly owned by Mr. Song). On September 23, 2021, Mr. Song entered into Voting Proxy Agreements, pursuant to which Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the 10,006,722 Target Company Shares, 7,549,852 Target Company Shares and 4,990,370 Target Company Shares held by Peerless Hero, Yun Qu and Fiery Dragon, respectively (as adjusted to 56,543,487 Successor Company Shares, 42,660,819 Successor Company Shares and 28,198,337 Successor Company Shares upon Capitalization Issue, respectively). Therefore, Mr. Song, Future Exploration, Funplus and Vanker are regarded as the Controlling Shareholders.

See “Relationship with the Controlling Shareholders of the Successor Group” for further details.

PRE-LISTING INVESTORS OF THE TARGET GROUP

Since the establishment of Target Company, it has received multiple rounds of equity financing. The broad and diverse base of Pre-Listing Investors consist of, among others, private equity funds and investment corporations focusing in various industries, including Matrix Partners, Skycus China Fund, L.P., Duckling Fund, L.P., Image Frame Investment (HK) Limited, 3W Global Fund, Vision Pro Capital Limited and Wisdom Pro Capital Limited. Iridescent Rainbow Limited became a pre-Listing investor of the Target Company as a result of the Target Company’s acquisition of Uki Group in April 2021. Please refer to the subsection headed “Major Acquisitions, Disposals, Mergers and Minority Investments – 2. Acquisition of Uki Group” for details. For further details of the identity and background of the Pre-Listing Investors, and the principal terms of the Pre-Listing Investments, see “History, Reorganization and Corporate Structure of the Target Group – Pre-Listing Investments”

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from the consolidated financial information of the Target Group for the Track Record Period, derived from the Accountant’s Report set out in Appendix I of this circular. The summary consolidated financial data set forth below should be read together with, the consolidated financial statements in this circular, including the related notes. The consolidated financial information of the Target Group was prepared in accordance with IFRS.

SUMMARY

Selected Consolidated Income Statements

The table below sets forth our consolidated income statements for the years indicated derived from the Target Company’s consolidated income statements set out in the Accountant’s Report included in Appendix I to this circular:

	For the year ended December 31,			For the Six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>			<i>(unaudited)</i>	
Revenues	1,493,420	2,630,592	3,401,990	1,659,489	1,627,468
Cost of revenues ⁽¹⁾	(522,201)	(1,124,798)	(1,559,517)	(761,899)	(734,280)
Gross profit	971,219	1,505,794	1,842,473	897,590	893,188
Selling and marketing expenses ⁽¹⁾	(600,361)	(1,022,880)	(547,847)	(310,756)	(232,680)
Administrative expenses ⁽¹⁾	(215,845)	(426,737)	(189,634)	(92,263)	(116,739)
Research and development expenses ⁽¹⁾	(143,403)	(298,505)	(508,986)	(217,210)	(258,295)
(Net impairment losses)/reversal of impairment losses on financial assets	(6,587)	(5,284)	5,114	7,684	(4,653)
Other gains, net	13,099	34,225	46,958	11,102	63,097
Operating profit/(loss)	18,122	(213,387)	648,078	296,147	343,918
Finance income	8,520	6,917	15,984	4,381	17,535
Finance costs	(4,217)	(5,218)	(5,434)	(2,859)	(2,395)
Finance income, net	4,303	1,699	10,550	1,522	15,140
Share of net losses of associates accounted for using equity method	(831)	(7,464)	(3,887)	(2,008)	(2,752)
Fair value changes on convertible redeemable preferred shares	(53,075)	(1,326,311)	(64,129)	(6,369)	(71,289)
Fair value changes on convertible preferred shares	(109,649)	(939,441)	(12,664)	40,087	(83,424)
(Loss)/profit before income tax	(141,130)	(2,484,904)	577,948	329,379	201,593
Income tax expenses	(12,879)	(10,641)	(68,695)	(39,936)	(20,997)
(Loss)/profit for the year/period	(154,009)	(2,495,545)	509,253	289,443	180,596
(Loss)/profit for the year/period attributable to:					
– Owners of the Target Company	(152,247)	(2,492,162)	511,906	291,068	181,135
– Non-controlling interests	(1,762)	(3,383)	(2,653)	(1,625)	(539)

SUMMARY

Notes:

- (1) Total share-based compensation expenses recognized for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 are allocated as follows:

	For the year ended December 31,			For the Six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Share-based compensation expenses					
Cost of revenues	45	3,452	4,007	1,944	1,104
Selling and marketing expenses	172	5,411	5,705	1,233	2,756
Administrative expenses	107,533	130,019	41,740	26,191	40,755
Research and development expenses	472	28,330	15,701	5,354	6,901
	<u>472</u>	<u>28,330</u>	<u>15,701</u>	<u>5,354</u>	<u>6,901</u>
Total	<u>108,222</u>	<u>167,212</u>	<u>67,153</u>	<u>34,722</u>	<u>51,516</u>

Non-IFRS Measure

To supplement our consolidated financial statements presented in accordance with IFRSs, we use adjusted net income (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRSs. We believe that adjusted net income (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of adjusted net income (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted net income (a non-IFRS measure) and adjusted net margin (a non-IFRS measures) has limitations as an analytical tool, and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRSs.

Adjusted Net Income (a non-IFRS measure) and Adjusted Net Margin (a non-IFRS measure)

We define adjusted net income (a non-IFRS measure) as (loss)/profit for the year/period by adding back certain items, including (i) share-based compensation expenses, (ii) fair value changes on convertible redeemable preferred shares, (iii) fair value changes on convertible preferred shares, (iv) listing expenses, and (v) one-off expenses related to group reorganization. We exclude these items because they are not expected to result in future cash payments. The following table reconciles our adjusted net income (a non-IFRS measure) presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, namely (loss)/profit for the years/periods. We define adjusted net margin (a non-IFRS measure) as adjusted net income (a non-IFRS measure) as a percentage of revenue for the same year/period.

SUMMARY

	For the year ended			For the six months	
	December 31,			ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands, except for percentages)</i>				
	<i>(unaudited)</i>				
Reconciliation of (loss)/profit for the year/period and adjusted net income (a non-IFRS measure)					
(Loss)/profit for the year/period	(154,009)	(2,495,545)	509,253	289,443	180,596
Add:					
Share-based compensation expenses	108,222	167,212	67,153	34,722	51,516
Fair value changes on convertible redeemable preferred shares	53,075	1,326,311	64,129	6,369	71,289
Fair value changes on convertible preferred shares	109,649	939,441	12,664	(40,087)	83,424
Listing expenses	–	33,636	12,692	–	4,475
Expenses related to group reorganization	34,365	138,546	–	–	–
	<u>151,302</u>	<u>109,601</u>	<u>665,891</u>	<u>290,447</u>	<u>391,300</u>
Adjusted net income (a non-IFRS measure)					
Adjusted net margin (a non-IFRS measure)	10.1%	4.2%	19.6%	17.5%	24.0%

We made adjustments of the above items to (loss)/profit for the years/periods presented because our management considers that

- (i) share-based compensation expenses represent primarily non-cash employee benefit expenses incurred in connection with our 2020 Plan. Such expenses in any specific period are not expected to result in future cash payments;
- (ii) fair value changes of convertible redeemable preferred shares and fair value changes of convertible preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares and convertible preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of the convertible redeemable preferred shares or the convertible preferred shares after Listing as preferred shares liabilities will be redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing;

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- (iii) listing expenses represent primarily the expenses incurred in connection with the previous listing application. We do not expect to record any future listing expenses after Listing.
- (iv) expenses related to group reorganization represent the deemed compensation paid to Mr. Song Ke and other management of the Target Company on two occasions in 2020 and 2021, respectively, in the form of special dividends declared by Guangzhou Quwan. Mr. Song Ke and other management of the Target Company used a portion of such dividends to repay the outstanding debt in connection with our corporate reorganization. We do not expect to incur further expenses related to group reorganization in the foreseeable future.

Our overall revenue increases were primarily driven by the growth and monetization of our value-added services and audio entertainment services, reflected by the continuous increases of our MPUs and paying ratio.

Our cost of revenues consists primarily of revenue sharing fees, salary and welfare benefits, and other costs related to the operation of our platform. Revenue sharing fees mainly represent our payments to recipients of virtual gifts for what they do to drive more active interactions in relation to our value-added services and audio entertainment services, in accordance with our revenue-sharing arrangement with them. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue sharing fees represent 82.8%, 82.0%, 83.1%, 83.0% and 82.9% of our cost of revenues, respectively. The increase in cost of revenues was primarily due to the increase in revenue sharing fees, which constitute the vast majority of our cost of revenues, as a result of the increased consumption of our services, driven by our business growth and monetization.

Our gross profit margin decreased from 65.0% in 2020 to 57.2% in 2021 and further to 54.2% in 2022, mainly due to the growth of our audio entertainment services, which have a higher proportion of revenues shared to hosts and guilds than that of value-added services. In the six months ended June 30, 2022 and 2023, our gross profit margin was 54.1% and 54.9%, respectively.

Our losses for 2020 and 2021 were primarily because we recorded fair value changes on convertible redeemable preferred shares of RMB53.1 million and RMB1,326.3 million in 2020 and 2021, respectively, as well as fair value changes on convertible preferred shares of RMB109.6 million and RMB939.4 million in 2020 and 2021, respectively, primarily because valuation of the Target Company measured by third party. We turned to a profit of RMB509.3 million in 2022 primarily because (i) the fair value changes on convertible redeemable preferred shares decreased to RMB64.1 million, and the fair value changes on convertible preferred shares decreased to RMB12.7 million, as we engaged in much less financing activities in 2022 than previous years, and (ii) our selling and marketing expenses decreased from RMB1,022.9 million to RMB547.8 million, primarily because of our optimization of sales and marketing activities by focusing on cost-effective and diversified user acquisition channels and utilizing innovative digital marketing tools. Our profit decreased from RMB289.4 million

SUMMARY

in the six months ended June 30, 2022 to RMB180.6 million in the six months ended June 30, 2023, primarily because the fair value losses on convertible redeemable preferred shares increased from RMB6.4 million to RMB71.3 million, and the fair value gains on convertible preferred shares of RMB40.1 million changed to fair value losses on convertible preferred shares of RMB83.4 million. We do not expect to record any further fair value changes of the convertible redeemable preferred shares as such preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the completion of the De-SPAC Transaction. To a lesser extent, such losses were also attributable to increases in the share-based compensation and expenses related to group reorganization. For details, see “Financial Information of the Target Group – Discussion of Results of Operations.”

Selected Consolidated Balance Sheet Items

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
ASSETS				
Non-current assets				
Property and equipment	32,041	54,914	50,835	45,207
Investment properties	15,300	16,010	14,620	14,700
Right-of-use assets	18,489	124,159	95,155	81,137
Intangible assets	243,376	355,889	342,261	332,769
Financial assets at fair value				
through profit or loss	6,136	10,525	69,795	94,478
Fixed bank deposits	–	–	199,646	230,000
Prepayments and deposits	8,043	888	1,000	209,470
Amounts due from related parties	89,717	–	–	–
Investments in associates	8,724	46,734	42,847	47,352
Deferred tax assets	4,224	9,551	7,804	7,918
	426,050	618,670	823,963	1,063,031

SUMMARY

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Current assets				
Trade receivables	46,797	84,820	99,084	51,174
Prepayments and other current assets	79,732	110,379	126,342	102,995
Amounts due from related parties	182,430	–	–	–
Financial assets at fair value through profit or loss	–	201,224	358,097	222,900
Cash and cash equivalents	629,319	718,187	934,926	767,768
Fixed bank deposits	–	–	–	190,617
Restricted cash	–	638	696	723
	938,278	1,115,248	1,519,145	1,336,177
Assets of a disposal group classified as held-for-sale	–	–	53,146	–
	938,278	1,115,248	1,572,291	1,336,177
Total assets	1,364,328	1,733,918	2,396,254	2,399,208
DEFICIT AND LIABILITIES				
Deficit attributable to equity holders of the Target Company				
Share capital	47	47	47	48
Other reserves	36,620	293,930	60,260	(278,394)
Accumulated losses	(283,059)	(3,005,874)	(2,502,348)	(2,321,213)
Deficit attributable to equity holders of the Target Company	(246,392)	(2,711,897)	(2,442,041)	(2,599,559)
Non-controlling interests	723	10,483	7,172	8,054
Total deficit	(245,669)	(2,701,414)	(2,434,869)	(2,591,505)

SUMMARY

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Liabilities				
Non-current liabilities				
Lease liabilities	13,145	103,659	76,849	57,217
Deferred tax liabilities	–	5,029	4,736	4,237
Convertible redeemable preferred shares	746,193	2,448,645	2,730,121	2,314,950
Convertible preferred shares	314,726	1,234,924	1,362,112	1,500,243
	1,074,064	3,792,257	4,173,818	3,876,647
Current liabilities				
Borrowings	126,500	–	–	–
Amounts due to related parties	35,234	–	–	–
Accounts payable	116,543	190,694	200,639	168,757
Other payables and accruals	184,920	343,235	301,156	197,190
Contract liabilities	57,957	80,530	115,049	86,636
Income tax payable	6,731	2,658	13,650	10,975
Convertible redeemable preferred shares	–	–	–	617,536
Lease liabilities	8,048	25,958	26,811	32,972
Total current liabilities	535,933	643,075	657,305	1,114,066
Total liabilities	1,609,997	4,435,332	4,831,123	4,990,713
Total deficit and liabilities	1,364,328	1,733,918	2,396,254	2,399,208
Net current assets	402,345	472,173	914,986	222,111

Our net current assets increased from RMB402.3 million as of December 31, 2020 to RMB472.2 million as of December 31, 2021, primarily due to an increase in financial assets at fair value through profit or loss as a result of our purchase of wealth management products and a decrease in borrowings which was primarily due to our full repayment of the outstanding borrowing amount. Our net current assets increased from RMB472.2 million as of December 31, 2021 to RMB915.0 million as of December 31, 2022, primarily due to increase in cash and cash equivalents which was primarily attributable to cash generated from our operations, and an increase in financial assets at fair value through profit or loss as a result of our purchase of

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unlisted debt securities. Our net current assets decreased from RMB915.0 million as of December 31, 2022 to RMB222.1 million as of June 30, 2023, primarily due to an increase in convertible redeemable preferred shares from nil as of December 31, 2022 to RMB617.5 million as of June 30, 2023, which were reclassified from non-current convertible redeemable preferred shares, as the redemption rights may be exercised within one year under circumstances such as failure to achieve a Qualified Listing.

Our net liabilities increased from RMB245.7 million as of December 31, 2020 to RMB2,701.4 million as of December 31, 2021, primarily driven by the loss of RMB2,495.5 million we incurred in 2021, which were primarily because we recorded fair value losses on convertible redeemable preferred shares of RMB1,326.3 million in 2021, as well as fair value losses on convertible preferred shares of RMB939.4 million in 2021, with reference to the valuation reports issued by an independent valuer.

Our net liabilities decreased from RMB2,701.4 million as of December 31, 2021 to RMB2,434.9 million as of December 31, 2022, primarily driven by the net profit of the year of RMB509.3 million we recorded in 2022, partially offset by the currency translation differences of RMB306.0 million (negative) derived from the translation of foreign operations with a functional currency different from the Target Company’s presentation currency and the Target Company’s translation of convertible preferred shares and convertible redeemable preferred shares denominated in foreign currency.

Our net liabilities increased from RMB2,434.9 million as of December 31, 2022 to RMB2,591.5 million as of June 30, 2023, primarily driven by dividends declared of RMB198.4 million, see “– Dividend and Dividend Policy”.

Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares and we will return to a net assets position from a net liabilities position.

See “Financial Information of the Target Group – Discussion of Selected Items from the Consolidated Balance Sheets.”

SUMMARY

Selected Consolidated Statements of Cash Flows Items

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

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Net cash generated from operating activities	258,096	156,268	711,096	207,755	280,391
Net cash used in investing activities	(316,534)	(48,044)	(475,532)	(26,092)	(257,818)
Net cash generated from/(used in) financing activities	<u>609,339</u>	<u>(3,828)</u>	<u>(34,158)</u>	<u>3,143</u>	<u>(213,152)</u>
Net increase/ (decrease) in cash and cash equivalents	550,901	104,396	201,406	184,806	(190,579)
Cash and cash equivalents at the beginning of the year/period	78,310	629,319	718,187	718,187	955,643
Effects of exchange rate changes on cash and cash equivalents	<u>108</u>	<u>(15,528)</u>	<u>36,050</u>	<u>20,626</u>	<u>2,704</u>
Cash and cash equivalents at the end of the year/period	<u>629,319</u>	<u>718,187</u>	<u>955,643</u>	<u>923,619</u>	<u>767,768</u>

Working Capital

The Directors of the Target Company are of the opinion that taking into account the estimated net proceeds from the De-SPAC Transaction and the expected cash generated from operating activities, the Successor Group has sufficient working capital for its present requirements and for the next 12 months from the date of this circular.

SUMMARY

Key Financial Ratio

We believe that total revenue growth, total gross margin and adjusted net margin (a non-IFRS measure) can provide an important measure of the efficiency of our operations over time. The following table sets forth a summary of our total revenue growth, total gross margin and adjusted net margin (a non-IFRS measure) for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
				<i>(unaudited)</i>	
Total revenue growth (%)	78.6	76.1	29.3	–	(1.9)
Total gross margin (%)⁽¹⁾	65.0	57.2	54.2	54.1	54.9
Adjusted net margin (a non-IFRS measure) (%)⁽²⁾	10.1	4.2	19.6	17.5	24.0

Notes:

- (1) Total gross margin equals gross profit divided by revenues for the year.
- (2) Adjusted net margin represents adjusted net income as a percentage of revenues of such year. For details of the adjusted net margin, see “Financial Information of the Target Group – Non-IFRS Measures – Adjusted Net Income and Adjusted Net Margin.”

Our total gross margin decreased from 65.0% in 2020 to 57.2% in 2021 and further to 54.2% in 2022, mainly because of the growth of our audio entertainment services, which have a higher proportion of revenues shared to hosts and guilds than that of value-added services. Our total gross margin remained stable at 54.9% in the six months ended June 30, 2023, compared with 54.1% in the same period of 2022. For details, see “Financial Information of the Target Group – Description of Key Consolidated Income Statements Items – Gross Profit and Gross Profit Margin.”

Our adjusted net margin (a non-IFRS measure) decreased from 10.1% in 2020 to 4.2% in 2021 and increased to 19.6% in 2022. Our adjusted net margin (a non-IFRS measure) increased from 17.5% in the six months ended June 30, 2022 to 24.0% in the same period in 2023. For details of the adjusted net margin, see “Financial Information of the Target Group – Non-IFRS Measure – Adjusted Net Income and Adjusted Net Margin.”

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Key Operating Metrics

We regularly review a number of key operating metrics to evaluate our business and measure our performance. The table below sets forth key operating metrics relating to our *TT Chat* platform during each period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
Average MAUs (million)	12.3	16.8	13.8	14.9	12.6
Average MPUs (thousand)	643.9	965.6	1,000.3	1,096.0	897.0
Paying Ratio	5.3%	5.7%	7.2%	7.4%	7.1%
Average monthly revenue per paying user (RMB)	184	221	279	249	296

We monitor our average MAUs to measure the size of active user base and user engagement. Our average MAUs increased from 12.3 million in 2020 to 16.8 million in 2021, primarily as a result of our continuous investment in user experience, game buddy matching technologies, as well as other innovative social entertainment offerings. Our average MAUs decreased from 16.8 million in 2021 to 13.8 million in 2022, primarily driven by (i) the suspension of downloading of our *TT Chat* app from February 2022 to January 2023, see “Business of the Target Group – Content Management and Monitoring,” and (ii) our shift of focus from user acquisitions through advertising and promotion to deepening user connections and enhancing user engagement. Our average MAUs decreased from 14.9 million in the six months ended June 30, 2022 to 12.6 million in the same period of 2023, primarily due to our shift of focus from new user acquisition through advertising and promotion channels, to deepening existing user connections and enhancing user engagement.

We monitor our average MPUs and the paying ratio to measure our ability to monetize our user base. Our average MPUs increased from 643.9 thousand in 2020 to 965.6 thousand in 2021, and further to 1,000.3 thousand in 2022. Our paying ratio increased from 5.3% in 2020 to 5.7% in 2021 and further to 7.2% in 2022. Our average monthly revenue per paying user increased by 20% from RMB184 in 2020 to RMB221 in 2021, and further to RMB279 in 2022. These increases were primarily driven by the expansion of our user base, more interactions among our users and their increased willingness to deepen their relationships through virtual gifting, all of which was driven by the satisfactory user experience we continued to offer, as well as the increasingly diversified social entertainment scenarios offered on our platform. Our average MPUs decreased from 1,096.0 thousand in the six months ended June 30, 2022 to 897.0 thousand in the same period of 2023 mainly due to our operational efforts focused on increasing individual spending of paying users rather than expanding our paying user base.

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SUMMARY OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE SUCCESSOR GROUP

The following is an illustrative unaudited pro forma consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and adjusted consolidated net tangible assets of the Successor Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the De-SPAC Transaction as if it had taken place on June 30, 2023 for the unaudited pro forma consolidated balance sheet and adjusted consolidated net tangible assets and January 1, 2022 for the unaudited pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results and cash flows of the Successor Group had the De-SPAC Transaction been completed as at June 30, 2023, January 1, 2022 or at any future date.

The unaudited pro forma financial information is prepared based on the consolidated balance sheet of Target Group as at June 30, 2023 and the consolidated income statement, consolidated statement of comprehensive income and the consolidated statement of cash flows of the Target Group for the year ended December 31, 2022 extracted from the Accountant’s Report of the Target Group as set out in Appendix I to this Circular after giving effect to the unaudited pro forma adjustments described in the accompanying notes which are directly attributable to the De-SPAC Transaction and factually supportable and was prepared in accordance with Rules 4.29 and 14.69(4)(a)(ii) of the Listing Rules.

The unaudited pro forma financial information is prepared assuming (i) the Target Capital Restructuring (as detailed in “History, Reorganization and Corporate Structure of the Target Group – Target Capital Restructuring” of this Circular) is completed, (ii) no Vision Deal Class A Shareholders exercise their Appraisal Right, and (iii) there is no Permitted Equity Financing can be fulfilled. In addition, the unaudited pro forma financial information presents two redemption scenarios as set out below.

- **Assuming no redemption (Scenario I):** This presentation assumes that no Vision Deal Class A Shareholders exercise their rights to redeem any of their Vision Deal Class A Shares and thus the full amount held in the Escrow Account at Closing is available to the De-SPAC Transaction. 63,186,508 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements.
- **Assuming full redemption (Scenario II):** This presentation assumes that 100,100,000 shares of Vision Deal Class A Shares are redeemed, which represents the full amount of redemption. 63,340,546 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements.

SUMMARY

The unaudited pro forma financial information should be read in conjunction with:

- the accompanying notes to the unaudited pro forma financial information;
- the audited financial statements of the Target Group as at and for the year ended December 31, 2022 and as at and for the six months ended June 30, 2023, and the related notes thereto, as set out in Appendix I to this Circular;
- the audited financial statements of Vision Deal for the period from January 20, 2022 (date of incorporation) to December 31, 2022, and the related notes thereto, as set out in the annual report of Vision Deal as published on April 25, 2023;
- the unaudited financial information of Vision Deal for the six months ended June 30, 2023, and the related notes thereto, as set out in the interim report of Vision Deal as published on September 15, 2023; and
- the financial information of the De-SPAC Transaction and other financial information included elsewhere in this Circular.

For details, see “Appendix III – Unaudited Pro Forma Financial Information of the Successor Group” in this circular.

Summary of Unaudited Pro Forma Consolidated Balance Sheet of the Successor Group as at June 30, 2023

	As at June 30, 2023	
	Scenario I	Scenario II
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	1,063,031	1,063,031
Current assets	2,433,417	1,480,401
Equity and liabilities		
Equity attributable to equity holders of the Target Company		
Share capital	704	629
Other reserves	6,473,627	5,424,330
Accumulated losses	(3,815,845)	(3,719,489)
Non-controlling interests	8,054	8,054
Total equity	2,666,540	1,713,524

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	As at June 30, 2023	
	Scenario I	Scenario II
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities	180,701	180,701
Current liabilities	649,207	649,207
Total equity and liabilities	3,496,448	2,543,432

Unaudited Pro Forma Consolidated Income Statement of the Successor Group for the year ended December 31, 2022

	For the Year Ended December 31, 2022	
	Scenario I	Scenario II
	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	3,401,990	3,401,990
Cost of revenues	(1,559,517)	(1,559,517)
Gross profit	1,842,473	1,842,473
Selling and marketing expenses	(547,847)	(547,847)
Administrative expenses	(180,986)	(180,986)
Research and development expenses	(508,986)	(508,986)
Reversal of impairment losses on financial assets	5,114	5,114
Professional fees and expenses related to listing and De-SPAC Transaction	(1,059,808)	(980,072)
Amortization of transaction costs on redeemable Class A Shares	(51,519)	(51,519)
Other gains, net	52,810	52,810
Operating loss	(448,749)	(369,013)
Finance income	15,984	15,984
Finance costs	(5,434)	(5,434)
Finance income, net	10,550	10,550
Share of net losses of associates accounted for using equity method	(3,887)	(3,887)
Fair value changes on convertible redeemable preferred shares	–	–
Fair value changes on convertible preferred shares	–	–

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	For the Year Ended	
	December 31, 2022	
	Scenario I	Scenario II
	<i>RMB'000</i>	<i>RMB'000</i>
Change in fair value of warrant liabilities	(13,656)	(13,656)
Loss before income tax	<u>(455,742)</u>	<u>(376,006)</u>
Income tax expenses	(68,695)	(68,695)
Loss for the year	<u>(524,437)</u>	<u>(444,701)</u>

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Successor Group for the year ended December 31, 2022

	For the Year Ended	
	December 31, 2022	
	Scenario I	Scenario II
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	(524,437)	(444,701)
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(45,749)	(45,749)
<i>Items that will not be reclassified to profit or loss</i>		
Fair value change on convertible redeemable preferred shares due to own credit risk	10,239	10,239
Currency translation differences	(260,255)	(260,255)
Other comprehensive loss for the year, net of taxes	<u>(295,765)</u>	<u>(295,765)</u>
Total other comprehensive loss for the year attributable to:		
– Owner of the Target Company	(295,107)	(295,107)
– Non-controlling interests	(658)	(658)
	<u>(295,765)</u>	<u>(295,765)</u>
Total comprehensive loss for the year attributable to:		
– Owner of the Target Company	(816,891)	(737,155)
– Non-controlling interests	(3,311)	(3,311)
	<u>(820,202)</u>	<u>(740,466)</u>

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Summary of Unaudited Pro Forma Consolidated Statement of Cash Flows of the Successor Group for the year ended December 31, 2022

	For the Year Ended	
	December 31, 2022	
	Scenario I	Scenario II
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	573,903	564,843
Net cash used in investing activities	(469,592)	(469,592)
Net cash generated from financing activities	1,096,878	221,711
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,201,189	316,962
Cash and cash equivalents at the beginning of the year	718,187	718,187
Effect of foreign exchange rate changes on cash and cash equivalents	36,050	36,050
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>1,955,426</u>	<u>1,071,199</u>

DIVIDEND AND DIVIDEND POLICY

For the years ended December 31, 2020 and 2021, Guangzhou Quwan has declared special dividends of RMB112.0 million and RMB230.0 million, respectively. No dividends have been paid or declared by the Target Company during the year ended December 31, 2022. On January 9, 2023, the Target Company declared interim dividends of US\$29.3 million, of which US\$29.1 million had been settled in cash as of the Latest Practicable Date. For details, see Note 26 to the Accountant’s Report set out in Appendix I to this circular.

On December 8, 2023, the Target Company declared interim dividends of HK\$300 million which is intended to be paid out of the amount standing at the credit of the share premium account based on its audit consolidated financial statements as at June 30, 2023. Such dividends are expected to be funded by internal resources of the Target Group and will be paid before the Listing. None of the net proceeds from the De-SPAC Transaction will be used to fund such dividends.

Upon Closing, the Successor Company will be 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 the Target Company’s subsidiaries. PRC laws require dividends to be paid only out of the profit for the year determined according to PRC accounting principles. 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 until the aggregate

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amount of such fund reaches 50% of its registered capital, which are not available for distribution as cash dividends. Dividend distribution to the Successor Company’s shareholders is recognized as a liability in the period in which the dividends are approved by its shareholders or Directors, where appropriate.

Subject to compliance with the relevant laws and regulations, the Successor Company may consider to distribute dividends to the Successor Company Shareholders in the amount of RMB300 million in the year ending December 31, 2024, and on an annual basis of 40% of net profit for the previous financial years in the years ending December 31, 2025 and 2026. However, any future determination of the Successor Company to pay dividends will be made at the discretion of its Directors and may be based on a number of factors, including its future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that its Directors may deem relevant. As advised by the Successor Company’s 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 Successor Company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase the Successor Company Shares with the expectation of receiving cash dividends.

USE OF PROCEEDS

After deducting commissions and expenses payable by Vision Deal and the Target Company in connection with the De-SPAC Transaction, and assuming 100% of Vision Deal Class A Shareholders exercise redemption rights with respect to their Vision Deal Class A Shares, the net proceeds which the Successor Company will receive from the De-SPAC Transaction are estimated to be approximately HK\$[146.7] million. We intend to use the net proceeds for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [25]%, or HK\$[36.7] million, will be used to drive sustainable and high-quality user base expansion for our *TT Chat* platform in the next three years;
- approximately [20]%, or HK\$[29.3] million, will be used to further engage user community with diversified offerings in the next three years;
- approximately [45]%, or HK\$[66.0] million, will be used to enhance our technology capabilities to improve the overall user experience and strengthen our monetization ability in the next three years;
- approximately [10]%, or HK\$[14.7] million, will be used for general corporate purposes, including working capital needs over the next three years.

See “Future Plans and Use of Proceeds” for more details. For the listing expenses expected to be incurred in connection with the De-SPAC Transaction, please see the section headed “Financial Information of the Target Group – Listing Expenses”.

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RECENT DEVELOPMENTS

Overseas Listing Regulations

On February 17, 2023, the CSRC promulgated 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 “**Trial Measures**”) and five supporting guidelines, which took effect on March 31, 2023. According to the Trial Measures, initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. A domestic company that seeks to directly or indirectly list its domestic assets in overseas markets through single or multiple acquisitions, share swaps, transfers of shares or other means, shall fulfill the filing procedure as prescribed thereunder. The Target Company is required to go through the filing procedures with the CSRC with respect to the De-SPAC Transaction after the submission of the Listing application to the Stock Exchange.

Cybersecurity and Internet Data Security

The Target Company’s business involves collecting and retaining user data, including personal information, as its various information systems are used for data entry, data procession, data analysis, data summarization and data reporting. The Target Company also maintains business operation data as well as employee personal information. The integrity and safety of data resources regarding its users, employees and business operation is critical to its business. The Target Company’s users and employees expect that it will adequately protect their personal information. The Target Company is required by applicable laws to keep strictly confidential the personal information that it collect, and to take adequate security measures to safeguard such personal information.

On November 14, 2021, the CAC issued the Administrative Regulations of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the “Draft Cyber Data Security Regulations”), which provide that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security.

On December 28, 2021, the CAC and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) critical information infrastructure operators (“CIIO”) purchasing network products, which affects or may affect national security, must file for the cybersecurity review; (ii) the internet platform operators holding personal information of more than one million users seeking a listing in a foreign country must file for the cybersecurity review and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or

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are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. As of the Latest Practicable Date, The Target Company has not been identified as a CIIO under current effective PRC laws and regulations. The PRC Legal Advisor to the Target Company conducted a consultation via the hotline published by the CAC on a named basis on behalf of the Target Company on May 7, 2023, with staff of the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “CCRC”). The CCRC is a competent authority on this consultation, because it is entrusted by the Cybersecurity Review Office under the CAC with authority to accept and review of application materials and to set up a hotline for consultation regarding the cybersecurity review, according to the official announcement by the CAC. Based on such consultation, PRC Legal Advisor to the Target Company advised it that the Target Company does not need to proactively file for the cybersecurity review even though we hold personal information of more than one million users, given Hong Kong is part of PRC and does not belong to any “foreign country” as contemplated in the Cybersecurity Review Measures. Nothing material has come to the attention of the Sole Sponsor as non-legal expert which would cause it to cast doubt on the reasonableness of the Target Company’s PRC Legal Advisor’s conclusion on no need of a voluntary cybersecurity review.

On July 7, 2022, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer (數據出境安全評估辦法) (the “Security Assessment Measures”), effective from September 1, 2022. The Security Assessment Measures require that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside China. As of the Latest Practicable Date, The Target Company is not involved in any cross-border transfer of personal information and important data during its daily operations, and therefore does not expect the Security Assessment Measures to have material impact on its daily operations in respect of the outbound data transfer. The Target Company expects it will be able to comply with the Draft Cyber Data Security Regulations, Cybersecurity Review Measures and the Security Assessment Measures in all material aspects based on the foregoing analysis.

For detailed discussion on risks associated with improper use or appropriation of personal information, see “Risk Factors – Risks Related to the Target Group’s Business and Industry – We may be liable for improper use or appropriation of personal information.”

IMPACT OF COVID-19 ON THE TARGET COMPANY OPERATIONS

The COVID-19 pandemic had positive impact on the Target Company’s business operation and financial performance during the Track Record Period, which was overall not significant. See “Risk Factors – Risks Related to the Target Group’s Business and Industry – Our business and financial condition was affected by the COVID-19 pandemic” and “Business of the Target Group – Impact of COVID-19 on Our Operations.”

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No Material Adverse Change

The Directors of the Target Company confirm that, as of the date of this circular, there has been no material adverse change in its business operations, financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2023, the end of the period reported on the Accountant’s Report included in Appendix I to this circular, except as disclosed herein.

PROFIT/(LOSS) ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2023

The Directors of the Target Company estimate, in the absence of unforeseen circumstances and on the bases set out in the section headed “Appendix IIIA – Profit/(Loss) Estimate of the Target Group” in this circular, the estimated consolidated profit/(loss) of the Target Group for the year ended December 31, 2023 to be not less/more than RMB[●] million. For more details, see “Financial Information of the Target Group – Profit/(Loss) Estimate for the Year Ended December 31, 2023” and the section headed “Appendix IIIA – Profit/(Loss) Estimate of the Target Group” in this circular.

EGM AND RECOMMENDATIONS

The De-SPAC Transaction (including the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger) and the withdrawal of listing of the SPAC Class A Shares are subject to approval of the SPAC Class A Shareholders at the EGM by ordinary resolutions.

A notice convening the EGM to be held at [address] on [day], [date] at [time][a.m./p.m.], is set out on pages EGM-1 to EGM-4 of this circular. The resolutions to be considered and, if thought fit, approved at the EGM will be voted by way of poll by the SPAC Shareholders. An announcement on the poll results will be published by Vision Deal after the EGM in the manner prescribed under the Listing Rules.

All SPAC Shareholders and their close associates who have a material interest in the De-SPAC Transaction will be required to abstain from voting on the relevant resolution at the EGM. The Promoters have a material interest in the De-SPAC Transaction. The Promoters will be required to abstain and will procure their respective close associates to abstain from voting on resolution 1 as set out in the notice of the EGM with respect to the De-SPAC Transaction and the transactions contemplated thereunder. As at the date of this circular, the Promoters are interested in 25,025,000 SPAC Class B Shares, representing approximately 20% of the issued shares of Vision Deal and 100% of the issued SPAC Class B Shares.

Having taken into account the reasons for the De-SPAC Transaction as set out in “Letter from the Vision Deal Board – E. Reasons for the De-SPAC Transaction”, the Vision Deal Directors consider that the terms of the De-SPAC Transaction and the transactions contemplated thereunder (including the PIPE Investments and the Merger), the withdrawal of listing of SPAC Class A Shares and SPAC Listed Warrants and the adoption of the Private Company Memorandum and Articles are fair and reasonable and in the interests of the SPAC Shareholders as a whole.

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Accordingly, the Vision Deal Directors recommend the SPAC Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the De-SPAC Transaction and the transactions contemplated thereunder (including the PIPE Investments and the Merger), the withdrawal of listing of SPAC Class A Shares and SPAC Listed Warrants and the adoption of the Private Company Memorandum and Articles by Vision Deal.

CONSEQUENCES IF THE DE-SPAC TRANSACTION IS NOT APPROVED OR COMPLETED

On December 8, 2023, Vision Deal has made an announcement in relation to the De-SPAC Transaction. Vision Deal has undertaken to complete a De-SPAC transaction within 30 months of the SPAC Listing Date, being December 9, 2024.

If the De-SPAC Transaction is not approved by SPAC Class A Shareholders, Closing does not occur or the De-SPAC Transaction does not comply with the applicable Listing Rule requirements (including the requirement for the Successor Company to have a minimum number of 100 Professional Investors at the time of listing, unless a waiver from strict compliance with any of these requirements is granted by the Stock Exchange), it is intended that the listings of the SPAC Class A Shares and SPAC Listed Warrants on the Stock Exchange will be maintained, subject to the scenarios below.

Pursuant to the Listing Rules and the Vision Deal Articles, if:

- (i) Vision Deal is unable to announce another De-SPAC transaction within 18 months of its initial listing date on June 10, 2022 or complete a De-SPAC transaction within 30 months of the listing date on June 10, 2022 (or, if these time limits are extended pursuant a vote of the SPAC Class A Shareholders and in accordance with the Listing Rules and a De-SPAC transaction is not announced or completed, as applicable, within such extended time limits); or
 - (ii) Vision Deal fails to obtain the requisite approvals in respect of the continuation of Vision Deal following a material change in the Promoters or Vision Deal Directors as provided for in the Listing Rules,
- (a) Vision Deal will cease all operations except for the purpose of winding up; (b) trading of the SPAC Class A Shares and the SPAC Listed Warrants will be suspended; (c) as promptly as reasonably possible, but no more than one month thereafter, Vision Deal will redeem the SPAC Class A Shares, at a per-share repurchase price not less than HK\$10.00 payable in cash, equal to the aggregate amount then on deposit in the Escrow Account calculated as at 2 Business Days immediately prior to the relevant extraordinary general meeting (including interest and other income earned on the funds held in the Escrow Account and not previously released to Vision Deal pay its expenses or taxes), divided by the number of the then issued and outstanding SPAC Shares, such redemption will completely extinguish the rights of the SPAC Class A Shareholders as SPAC Shareholders (including the right to receive further liquidation distributions, if any), subject to applicable law; (d) the listing of the SPAC Class A Shares and

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the SPAC Listed Warrants on the Stock Exchange will be cancelled; and (e) as promptly as reasonably possible following such redemption, subject to the approval of remaining SPAC Shareholders and the Vision Deal Board, Vision Deal will be liquidated and dissolved, subject to, in the case of paragraphs (a), (c) and (e), to Vision deal's obligations under Cayman Islands law to provide for claims of creditors and in all cases subject to the other requirements of applicable law.

In all circumstances, SPAC Class A Shareholders will be paid their HK\$10.00 per share redemption amount before SPAC Class B Shareholders have any claim on the funds in the Escrow Account.

If the De-SPAC Transaction is not approved or completed for any reason, Vision Deal will not redeem any SPAC Class A Shares and all Share Redemption requests will be cancelled. In this case, Vision Deal will arrange for the Hong Kong Share Registrar of Vision Deal to promptly return any share certificate(s) delivered by Redeeming SPAC Shareholder(s).

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms”.

“2020 Global Employee Incentive Plan” or “2020 Plan”	the share incentive plan approved and adopted on December 31, 2020, the principal terms of which are set out in “Statutory and General Information – E. Employee Incentive Plans” in Appendix VII to this circular
“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
“Appraisal Right”	the right of the Dissenting SPAC Shareholders to be paid the fair value of their SPAC Shares under Section 238 of the Cayman Companies Act in connection with the De-SPAC Transaction
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Successor Board
“AVSP License”	the Online Transmission of Audio-visual Programs License (信息網絡傳播視聽節目許可證)
“Beijing Quyu”	Beijing Quyu Internet Technology Co., Ltd. (北京趣躍網絡科技有限公司), a limited liability company established in the PRC on July 23, 2020 and one of the Target Company’s Consolidated Affiliated Entities
“Benchmark Value”	HK\$800,800,000, being 80% of the funds raised by Vision Deal from SPAC IPO (prior to the Share Redemption)
“Beneficial Owner(s)”	any beneficial owner of SPAC Class A Shares whose SPAC Class A Shares are registered in the name of a Registered Shareholder of Vision Deal

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“Board”	the board of Directors of Vision Deal, the Target Company or the Successor Company, as the context requires
“Business Combination Agreement”	the business combination agreement dated December 8, 2023 entered into among Vision Deal, the Target and the Target Merger Sub in relation to the Merger
“Business Day”	a day (other than a Saturday or a Sunday or and a public holiday in Hong Kong, Cayman Islands or the PRC or a day on which a tropical cyclone warning signal no. 8 or above or black rainstorm warning signal is hoisted in Hong Kong) on which licensed banks in Hong Kong, Cayman Islands or the PRC are generally open to the public in Hong Kong or the PRC (as applicable) for normal banking business and on which the Stock Exchange is open for the business of dealing in securities
“BVI”	the British Virgin Islands
“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“Capital Market Intermediaries” or “capital market intermediary(ies)”	the capital market intermediaries participating in the De-SPAC Transaction and has the meaning ascribed thereto under the Listing Rules
“Cayman Companies Act” or “Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as amended or supplemented from time to time
“Cayman Court”	the Grand Court of the Cayman Islands
“Cayman Registrar”	the Registrar of Companies in the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chengdu Spherical World”	Chengdu Spherical World Technology Co., Ltd. (成都球形世界科技有限公司), a limited liability company established in the PRC on October 9, 2019 and one of the Target Company’s Consolidated Affiliated Entities
“China” or “PRC”	People’s Republic of China, except where the context requires otherwise and only for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Chongqing Qudu”	Chongqing Qudu Network Technology Co., Ltd (重慶趣都網絡科技有限公司), a limited liability company established in the PRC on May 24, 2022 and one of the Target Company’s Consolidated Affiliated Entities
“CIIO”	Critical Information Infrastructure Operator
“Closing”	the closing of the De-SPAC Transaction
“Codes”	the Takeovers Code and the Code on Share Buy-backs
“Companies Ordinance”	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”	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
“Conditions”	the conditions to Closing set out in “Letter from the Vision Deal Board – J. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (v) Conditions to Closing”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities the Target Company controls through the Contractual Arrangements, namely Guangzhou Quwan and its subsidiaries established from time to time. See “History, Reorganization and Corporate Structure of the Target Group – Reorganization”
“Contractual Arrangements”	the series of contractual arrangements entered into among Guangzhou Yongjie, Guangzhou Quwan, Registered Shareholders of Guangzhou Quwan and the general partners of the limited partnership registered shareholders, details of which are described in the section headed “Contractual Arrangements of the Target Group”
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Song, Future Exploration, Funplus and Vanker. See the section headed “Relationship with the Controlling Shareholders of the Successor Group”
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“CSRC”	China Securities Regulatory Commission
“DealGlobe”	DealGlobe Limited, a company incorporated in the United Kingdom on December 12, 2013 with limited liability, an entity authorized and regulated by the Financial Conduct Authority to conduct corporate finance business in the United Kingdom and one of the Promoters
“De-SPAC Participating Shares”	means all SPAC Class A Shares outstanding immediately prior to the Effective Time, <i>minus</i> Dissenting SPAC Shares. For clarity, SPAC Class A Shares issued in connection with the SPAC Class B Conversion and the Redeeming SPAC Shares are not De-SPAC Participating Shares

DEFINITIONS

“De-SPAC Transaction”	the restructuring steps and transactions contemplated under the PIPE Investment Agreements, the Share Transfer Agreements and the Business Combination Agreement, including the PIPE Investments, the Share Transfer and the Merger, resulting in the listing of the Successor Company on the Stock Exchange subject to obtaining all the necessary approvals
“Director(s)”	the directors of Vision Deal, the Target Company or the Successor Company, as the context requires
“Dissenting SPAC Shareholders”	SPAC Class A Shareholders who have validly exercised their Appraisal Right in accordance with the statutory procedures prescribed under the Cayman Companies Act
“Dissenting SPAC Shares”	the SPAC Class A Shares that are issued and outstanding immediately prior to the Effective Time and that are held by the Dissenting SPAC Shareholders who have validly exercised their Appraisal Right for such SPAC Class A Shares in accordance with the Cayman Companies Act and otherwise complied with all of the provisions of the Cayman Companies Act relevant to the exercise and perfection of the Appraisal Right
“Earn-out Participants”	Mr. Song, Mr. Chen Guangyao, Mr. Lyu Shaoyu and Mr. Xie Rui
“Earn-out Rights”	the issuable Successor Company Shares upon exercise of the unlisted warrants at US\$0.0001 when certain conditions connected with the Share Price Earn-out Event and Net Profit Earn-out Event being satisfied
“Earn-out Trust”	a trust set up by Mr. Song, and the beneficiaries of the Earn-out Trust will be all the Earnout Participants
“Effective Time”	9.00 a.m. (Hong Kong time) on the Listing Date
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of Vision Deal to be convened for the SPAC Shareholders to consider and, if appropriate, approve the De-SPAC Transaction (including the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger), the withdrawal of listing of the SPAC Class A Shares and the adoption of the Private Company Memorandum and Articles by Vision Deal

DEFINITIONS

“Election Period”	the election period for the Share Redemption which will start on the date of the notice of the EGM and end on the date and time of commencement of the EGM
“Escrow Account”	the ring-fenced escrow account located in Hong Kong with the CCB (Asia) Trustee Company Limited acting as trustee of such account
“Escrow Agreement”	the Deed of Trust dated June 2, 2022 between Vision Deal and CCB (Asia) Trustee Company Limited, in its capacity as trustee of the Escrow Account
“ESG Committee”	environmental, social and governance committee of the Successor Board
“Existing Target Company Option”	each option or similar right to subscribe for ordinary shares in the Target Company pursuant to the Target Company ESOP
“extreme conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Listing Date
“Fiery Dragon”	Fiery Dragon Limited, a limited liability company incorporated in the BVI on May 27, 2019, which is wholly owned by Qiu Zhizhao, and a Shareholder of the Target Company
“Frost & Sullivan”	Frost & Sullivan Limited, a global market research and consulting company, the industry consultant of the Target Company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report commissioned and prepared by Frost & Sullivan for the purpose of this circular
“Funplus”	Funplus (BVI) Limited, one of the Target Company’s Controlling Shareholders, a limited liability company incorporated in the BVI on September 10, 2019, which is controlled by Mr. Song

DEFINITIONS

“Future Exploration”	Future Exploration Limited, one of the Target Company’s Controlling Shareholders, a limited liability company incorporated in the BVI on July 21, 2021, which is controlled by Mr. Song
“Generation Z”	the population born between the years 1990 and 2009
“Governmental Authority”	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
“Guangzhou Anglai”	Guangzhou Anglai Culture Media Co., Ltd. (廣州昂來文化傳媒有限公司), a limited liability company established in the PRC on March 4, 2022 and a wholly owned subsidiary of the Target Company
“Guangzhou Gaimu”	Guangzhou Gaimu Culture Media Co., Ltd. (廣州蓋牧文化傳媒有限公司), a limited liability company established in the PRC on March 4, 2022 and a wholly owned subsidiary of the Target Company
“Guangzhou Huancheng”	Guangzhou Huancheng Culture Media Co., Ltd. (廣州歡城文化傳媒有限公司), a limited liability company established in the PRC on March 15, 2016 and one of the Target Company’s Consolidate Affiliated Entities
“Guangzhou Jingwan”	Guangzhou Jingwan Culture Media Co., Ltd. (廣州競玩文化傳媒有限公司), a limited liability company established in the PRC on May 29, 2020 and one of the Target Company’s Consolidate Affiliated Entities
“Guangzhou Qucheng”	Guangzhou Qucheng Culture Media Co., Ltd (廣州趣城文化傳媒有限公司), a limited liability company established in the PRC on October 12, 2021 and a wholly owned subsidiary of the Target Company
“Guangzhou Quchuang”	Guangzhou Quchuang Network Technology Co., Ltd (廣州趣闖網絡科技有限公司), a limited liability company established in the PRC on March 30, 2022 and one of the Target Company’s Consolidate Affiliated Entities

DEFINITIONS

“Guangzhou Qujing”	Guangzhou Qujing Culture Media Co., Ltd. (廣州趣競文化傳媒有限公司), a limited liability company established in the PRC on November 21, 2019 and one of the Target Company’s Consolidated Affiliated Entities
“Guangzhou Quwan”	Guangzhou Quwan Network Technology Co., Ltd., (廣州趣丸網絡科技有限公司), a limited liability company established in the PRC on December 13, 2014 and one of the Target Company’s Consolidated Affiliated Entities
“Guangzhou Quyan”	Guangzhou Quyan Network Technology Co., Ltd. (廣州趣研網絡科技有限公司), a limited liability company established in the PRC on March 3, 2021 and a wholly owned subsidiary of the Target Company
“Guangzhou Quyi”	Guangzhou Quyi Enterprise Management Joint Enterprise (Limited Partnership) (廣州趣意企業管理合伙企業(有限合伙)), a limited partnership established in the PRC on August 26, 2020, with Song Guowen, Mr. Song’s brother, as the general partner
“Guangzhou Quzhu”	Guangzhou Quzhu Technology Development Co., Ltd (廣州趣珠科技發展有限公司), a limited liability company established in the PRC on February 14, 2023 and one of the Target Company’s Consolidate Affiliated Entities
“Guangzhou Shabake”	Guangzhou Shabake Network Technology Co., Ltd. (廣州沙巴克網絡科技有限公司), a limited liability company established in the PRC on October 21, 2015 and one of the Target Company’s Consolidate Affiliated Entities
“Guangzhou Xinyan”	Guangzhou Xinyan Information Technology Co., Ltd. (廣州新言信息科技有限公司), a limited liability company established in the PRC on March 4, 2021 and one of the Target Company’s Consolidated Affiliated Entities
“Guangzhou Yongjie”	Guangzhou Yongjie Network Technology Co., Ltd. (廣州永捷網絡科技有限公司), formerly known as Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司), a limited liability company established in the PRC on July 12, 2019 and a wholly owned subsidiary of the Target Company

DEFINITIONS

“Hainan Yuyue”	Hainan Yuyue Network Co., Ltd. (海南娛躍網絡科技有限公司), a limited liability company established in the PRC on May 29, 2018 and one of the Target Company’s Consolidated Affiliated Entities
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS
“Hong Kong”, “Hong Kong SAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar of Vision Deal”	Tricor Investor Services Limited
“Hong Kong Share Registrar of the Successor Company”	Computershare Hong Kong Investor Services Limited
“Huayu Shiji”	Beijing Huayu Century Technology Co., Ltd. (北京華禹世紀科技有限公司), a limited liability company established in the PRC on May 14, 2020 and one of the Target Company’s Consolidated Affiliated Entities
“Huayu Tianxia”	Beijing Huayu Tianxia Technology Co., Ltd. (北京畫娛天下科技有限公司), a limited liability company established in the PRC on November 19, 2015 and one of the Target Company’s Consolidated Affiliated Entities
“IAS”	International Accounting Standards
“IASB”	International Accounting Standards Board
“ICB License”	the Internet Cultural Business License (網絡文化經營許可證)

DEFINITIONS

“ICP License”	the Value-added Telecommunications Business Operating License (增值電信業務經營許可證)
“IFRS”	IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and Interpretation issued by the International Accounting Standards Committee
“Independent Third Party” or “Independent Third Parties”	any entity or person who is not a connected person within the meaning ascribed thereto under the Listing Rules
“Latest Practicable Date”	[December 5], 2023, being the latest practicable date for ascertaining certain information in this circular before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Successor Company Shares and Successor Company Listed Warrants on the Stock Exchange
“Listing Committee”	the listing committee appointed by the Stock Exchange for considering applications for listing and the granting of listing of securities on the Stock Exchange
“Listing Date”	the date of listing of the Successor Company Shares and Successor Company Listed Warrants on the Stock Exchange
“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

DEFINITIONS

“Lock-up Period”	the six (6) month period after the Listing Date which certain PIPE Investors agreed and undertook to Vision Deal and the Target Company that except with the prior written consent of Vision Deal and the Target Company, each PIPE Investor will subject to lockup arrangements as detailed under section “Letter from the Vision Deal Board – F. PIPE Investments – 1. Principal terms of the PIPE Investment Agreements – (b) Restrictions and lock-ups on PIPE Investors”
“Longstop Date”	May 31, 2024 or another date (as may be agreed by the written consent of Vision Deal, the Target Company and the Target Merger Sub, provided that such date will automatically extend to August 31, 2024 if the Merger Parties have made substantive progress towards the completion of the Merger and the satisfaction of the Conditions)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Maximum Issuable Earn-out Shares”	the maximum number of Successor Company Shares that are issuable under the Earn-out Rights, being 10% of the total number of Successor Company Shares in issue as at the Listing Date
“Merger”	the merger of Target Merger Sub with and into Vision Deal, subject to the terms and conditions of the Business Combination Agreement and in accordance with the laws of the Cayman Islands, with Vision Deal being the surviving entity following the Merger and becoming (immediately following the Merger) a direct wholly owned subsidiary of the Target Company
“Mr. Song” or “Mr. Song Ke”	Mr. Song Ke (宋克), Chairman of the Board, an executive Director, the chief executive officer of the Successor Company and one of the Target Company’s Controlling Shareholders
“Mr. Wei” or “Mr. Wei Zhe”	Mr. Wei Zhe (衛哲), one of the Promoters, the chairman of the Vision Deal Board, an executive Director of Vision Deal, and the sole director of VKC Management

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)
“Negotiated Value of Target”	the pre-money equity value of the Target Company in the De-SPAC Transaction for PIPE Investors, which is HK\$7,676 million (assuming full redemption of the SPAC Class A Shares)
“Net Profit Earn-out Right”	the issuable Earn-out Shares that are issuable under the exercise of the Successor Company Unlisted Warrant when the warrant is exercisable based on the conditions connected with the Net Profit Earn-out Event being satisfied
“Net Profit Issuable Earn-out Shares”	the maximum number of issuable shares under the Net Profit Earn-out Right upon exercise of the Successor Company Unlisted Warrant based on the conditions connected to the Net Profit Earnout Event being satisfied but subject to the maximum Limit as permitted to be issued under Mixed Pool
“Nomination Committee”	the nomination committee of the Successor Board
“Offering Circular”	the offering document of Vision Deal dated June 6, 2022 in relation to the offer and the listing of the SPAC Class A Shares and the SPAC Listed Warrants on the Main Board of the Stock Exchange
“Opus Capital”	Opus Capital Limited, a company incorporated in Hong Kong on January 9, 2014 with limited liability, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO and one of the Promoters
“Ordinary Shares”	Ordinary shares of the Target Company
“Peerless Hero”	Peerless Hero Limited, a limited liability company incorporated in the BVI on May 27, 2019, which is wholly owned by Chen Guangyao, one of the Successor Company’s Directors

DEFINITIONS

“Permitted Equity Financing”	the subscription of SPAC Shares prior to the Effective Time and concurrently with completion of the PIPE Investments by one or more investors pursuant to one or more subscription agreements entered into during the Pre-Closing Period by and among such investors, the Target Company and Vision Deal
“PIPE Individual Investors”	PIPE Investors who are individual investors, including, Ms. Yu Su, Mr. Yucheng Xiao, Ms. Lian Ye, Mr. Xiaoyang Tai, Mr. Yonglei Shi, Mr. Jinfeng Cui, Mr. Tong Zhou, Mr. William Richard Vanbergen
“PIPE Investments”	the subscription of the PIPE Investment Shares by the PIPE Investors pursuant to the PIPE Investment Agreement(s)
“PIPE Investment Agreement(s)”	the PIPE Investment agreement(s) dated December 8, 2023 entered into among Vision Deal, the PIPE Investor(s) and the Target in relation to the PIPE Investments
“PIPE Investment Amount”	the investment amount to be paid by the PIPE Investors to Vision Deal for the subscription of the PIPE Investment Shares
“PIPE Investment Shares”	57,620,000 to 61,020,000 SPAC Class A Shares to be allotted and to be subscribed by the PIPE Investors under the PIPE Investment Agreements depending on the adjustment to be made when the final Negotiated Value of Target being determined before Closing
“PIPE Investors”	the independent third party investors in the De-SPAC Transaction. See section under “Letter from the Vision Deal Board – F. PIPE Investments – 5. Information on the PIPE Investors” for details of the PIPE Investors
“Plan of Merger”	the agreed form plan of merger to be filed in accordance with the Business Combination Agreement and pursuant to Part XVI of the Cayman Companies Act with the Cayman Registrar

DEFINITIONS

“Post-Listing Share Incentive Plan”	the share incentive plan approved and adopted on [●], the principal terms of which are set out in “Statutory and General Information – E. Employee Incentive Plans” in Appendix VII to this circular
“PRC Legal Advisor to the Target Company”	Commerce & Finance Law Offices
“Pre-Listing Investment(s)”	the investment(s) in the Target Company undertaken by the Pre-Listing Investors, the details of which are set out in the section headed “History, Reorganization and Corporate Structure of the Target Group – Pre-Listing Investments”
“Pre-Listing Investor(s)”	holders of the Series A Preferred Shares, the Series B Preferred Shares, the Series B+ Preferred Shares and the Series C Preferred Shares as described in the section headed “History, Reorganization and Corporate Structure of the Target Group – Pre-Listing Investments”
“Presumptions”	(i) the Target Capital Restructuring is completed, (ii) no SPAC Class A Shareholder exercise their Redemption Right with respect to their SPAC Class A Shares, (iii) no SPAC Class A Shareholders exercise their Appraisal Right, (iv) 63,186,508 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements and (v) there is no Permitted Equity Financing
“Principal Share Registrar”	Maples Fund Services (Cayman) Limited
“Private Company Memorandum and Articles”	the second amended and restated memorandum of association and second amended and restated articles of association of Vision Deal to be adopted by Vision Deal and become effective as at the Effective Time subject to approval of the SPAC Shareholders at the EGM by special resolution
“Professional Investors”	has the meaning given to it in section 1 of Part 1 of Schedule 1 to the SFO

DEFINITIONS

“Promoters”	Mr. Wei, DealGlobe and Opus Capital
“Promoter Agreement”	the letter agreement entered into among the Promoters, the Promoter SPVs and Vision Deal on June 2, 2022
“Promoter SPVs”	VKC Management, Vision Deal Acquisition Sponsor LLC and Opus Vision SPAC Limited
“QDIE”	with respect to the relevant PIPE Investor, a qualified investment enterprise which is established in Shenzhen, the PRC, by the QDIE Manager with the participation of domestic investors, as reviewed and approved by the QDIE Manager, to make overseas investment with foreign exchange or RMB, and through which such PIPE Investor may purchase the relevant PIPE Investment Shares
“QDIE Manager”	an enterprise incorporated in Shenzhen, the PRC, which is licensed to establish overseas investment enterprise and manage its overseas investment business subject to entrustment, pursuant to the pilot programs developed by the applicable governmental authorities in Shenzhen, the PRC since December 2014
“QDII”	with respect to the relevant PIPE Investor, a qualified domestic institutional investor in the PRC, which is licensed by the CSRC to invest in foreign securities markets and through which such PIPE Investor may purchase the relevant PIPE Investment Shares
“QDLP”	with respect to the relevant PIPE Investor, a qualified private fund established by a QDLP fund manager licensed pursuant to the pilot programs developed by the applicable governmental authorities in the PRC and raising funds in the PRC from qualified domestic investors, to make investments in foreign securities markets and through which such PIPE Investor may purchase the relevant PIPE Investment Shares
“Qualified Investment Schemes”	with respect to the relevant PIPE Investor, the QDII, QDIE and/or QDLP (as the case may be) through which such PIPE Investor may purchase the relevant PIPE Investment Shares

DEFINITIONS

“Quwan EOR Limited”	the earnout warrant holder of the Successor Company Unlisted Warrant, a company held by the Earn-out Trust
“Quwan HK”	Quwan (HK) Limited, a company incorporated in Hong Kong on June 13, 2019 and a wholly owned subsidiary of the Target Company
“Quyun Singapore”	Quyun Technology Singapore Pte. Ltd., a company incorporated in Singapore on April 28, 2020 and a wholly owned subsidiary of the Target Company
“Redeeming SPAC Shareholders”	SPAC Shareholders who have validly exercised their Redemption Right
“Redeeming SPAC Shares”	the SPAC Class A Shares in respect of which the relevant SPAC Shareholder has validly exercised its Redemption Right
“Redemption Election Form”	the form of election to be completed by Redeeming SPAC Shareholders in order to elect to exercise the Redemption Right, which is dispatched to SPAC Class A Shareholders together with this circular and form of proxy for the EGM
“Redemption Price”	a per-share repurchase price payable in cash, equal to the aggregate amount then on deposit in the Escrow Account calculated as of two Business Days immediately prior to the EGM (including interest and other income earned on the funds held in the Escrow Account and not previously released to pay the Vision Deal’s expenses or taxes), divided by the number of the then issued and outstanding SPAC Class A Shares, provided that such per share price will not be less than HK\$10.00 according to the Vision Deal Articles
“Redemption Right”	the redemption rights of SPAC Class A Shareholders in relation to the De-SPAC Transaction
“Registered Shareholder of Vision Deal”	any person (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) whose name is entered in the register of members of Vision Deal as a holder of SPAC Shares

DEFINITIONS

“Registered Shareholders of Guangzhou Quwan”	the registered shareholders of Guangzhou Quwan as detailed in the section headed “Contractual Arrangements of the Target Group”
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Successor Board
“Reorganization”	the reorganization arrangements undertaken by the Target Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganization and Corporate Structure of the Target Group – Reorganization”
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share unit award(s) to be granted to participants under the 2020 Global Employee Incentive Plan
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SEC”	the Securities and Exchange Commission of the United States
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Series Angel Preferred Share(s)”	the convertible series Angel preferred shares of the Target Company with par value US\$0.0001 per share which were issued by the Target Company as described in the section headed “History, Reorganization and Corporate Structure of the Target Group – Major Shareholding Changes of the Target Group”

DEFINITIONS

“Series A Preferred Share(s)”	the redeemable and convertible series A preferred shares of the Target Company with par value US\$0.0001 per share which were issued by the Target Company as described in the section headed “History, Reorganization and Corporate Structure of the Target Group – Pre-Listing Investments”
“Series B Preferred Share(s)”	the redeemable and convertible series B preferred shares of the Target Company with par value US\$0.0001 per share which were issued to certain Pre-Listing Investors as described in the section headed “History, Reorganization and Corporate Structure of the Target Group – Pre-Listing Investments”
“Series B+ Preferred Share(s)”	the redeemable and convertible series B+ preferred shares of the Target Company with par value US\$0.0001 per share which were issued to certain Pre-Listing Investors as described in the section headed “History, Reorganization and Corporate Structure of the Target Group – Pre-Listing Investments”
“Series C Preferred Share(s)”	the redeemable and convertible series C preferred shares of the Target Company with par value US\$0.0001 per share which were issued to certain Pre-Listing Investors as described in the section headed “History, Reorganization and Corporate Structure of the Target Group – Pre-Listing Investments”
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Chenlong”	Shanghai Chenlong Information Technology Co., Ltd. (上海辰龍信息科技有限公司), a limited liability company established in the PRC on April 2, 2020 and one of the Target Company’s Consolidated Affiliated Entities

DEFINITIONS

“Shanghai Qushen”	Shanghai Qushen Enterprise Management Joint Enterprise (Limited Partnership) (上海趣申企業管理合夥企業(有限合夥)), formerly known as Huai’an Shouqu Enterprise Management Joint Enterprise (Limited Partnership) (淮安市首趣企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on February 18, 2020, with Mr. Song as the general partner
“Shanghai Xiaojianbing”	Shanghai Xiaojianbing Information Technology Co., Ltd. (上海小煎餅信息科技有限公司), a limited liability company established in the PRC on August 10, 2020 and one of the Target Company’s Consolidated Affiliated Entities
“Share Price Earn-out Right”	the issuable Earn-out Shares that are issuable under the exercise of the Successor Company Unlisted Warrant when the warrant is exercisable based on the conditions connected with the Share Price Earn-out Event being satisfied
“Share Price Issuable Earn-out Shares”	the maximum number of issuable shares under the Share Price Earn-out Right upon exercise of the Successor Company Unlisted Warrant based on the conditions connected to the Share Price Earn-out Event being satisfied but subject to the maximum Limit as permitted to be issued under Mixed Pool
“Share Redemption”	the redemption of all or part of the SPAC Class A Shares held by the SPAC Class A Shareholders at the Redemption Price
“Share Transfer”	the acquisition of the Target Disposing Shares by Vision Deal and the transfer of such Target Disposing Shares from the Target Disposing Shareholders to Vision Deal pursuant to the Share Transfer Agreements
“Share Transfer Agreement(s)”	the share transfer agreement(s) dated December 8, 2023 entered into between Vision Deal and the Target Disposing Shareholders in relation to the Share Transfer

DEFINITIONS

“Share Transfer Total Equity Value”	the pre-money total equity value of the Target Disposing Shares under the Share Transfer with reference to the weighted average of the purchase prices of all Target Disposing Shares stipulated in the Share Transfer Agreements, which is HK\$6,892 million
“SK Family Trust”	a trust established on July 21, 2021 by Mr. Song, as the settlor with Cantrust (Far East) Limited acting as the trustee and Mr. Song and Exploring Time Limited (wholly-owned by Mr. Song) being the beneficiaries
“Sole Sponsor” or “Sole Sponsor-Overall Coordinator”	China International Capital Corporation Hong Kong Securities Limited
“SPAC Class A Shares”	Class A ordinary shares in the share capital of Vision Deal with a par value of HK\$0.0001 each and, after the De-SPAC Transaction, the Class A ordinary shares of the Successor Company or such other ordinary shares of the Successor Company that the SPAC Class A Shares convert into or are exchanged for
“SPAC Class A Shareholders”	holders of the SPAC Class A Shares
“SPAC Class B Conversion”	the conversion of each SPAC Class B Share issued and outstanding into one fully paid SPAC Class A Share in accordance with the terms of Vision Deal Articles at the Effective Time, upon which all of the SPAC Class B Shares will no longer be issued and outstanding
“SPAC Class B Shares”	Class B ordinary shares in the share capital of Vision Deal with a par value of HK\$0.0001 each
“SPAC Class B Shareholders”	holders of the SPAC Class B Shares
“SPAC IPO”	the initial public offering of Vision Deal on June 10, 2022
“SPAC Listed Warrants”	subscription warrants issued pursuant to the SPAC Listed Warrant Instrument and entitling the holder to purchase SPAC Class A Share per subscription warrant at the warrant exercise price of HK\$11.50 exercisable on a cashless basis. As at the date of this circular, there are 50,050,000 SPAC Listed Warrants issued and outstanding

DEFINITIONS

“SPAC Listed Warrant Instrument”	the instrument constituting the SPAC Listed Warrants by way of deed poll executed by Vision Deal on June 2, 2022
“SPAC Listing Date”	June 10, 2022, the date on which the SPAC Shares and the SPAC Listed Warrants are first listed and from which dealings in such shares and warrants are permitted to take place on the Main Board of the Stock Exchange
“SPAC Promoter Warrants”	subscription warrants issued to the Promoters pursuant to the SPAC Promoter Warrant Agreement at the issue price of HK\$1.00 per subscription warrant and entitling the holder to purchase SPAC Class A Share per subscription warrant at the warrant exercise price of HK\$11.50 exercisable on a cashless basis. As at the date of this circular, there are 35,000,000 SPAC Promoter Warrants issued and outstanding
“SPAC Promoter Warrant Agreement”	the agreement relating to the SPAC Promoter Warrants dated as of June 2, 2022 by and among Vision Deal, the Promoters and other persons named therein
“SPAC Shareholders”	holder(s) of the SPAC Shares
“SPAC Shares”	SPAC Class A Shares and SPAC Class B Shares
“SPAC Warrants”	SPAC Listed Warrants and SPAC Promoter Warrants (as applicable)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto it in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Successor Board” or “Successor Board of Directors”	the board of directors of the Successor Company
“Successor Company”	the Target Company upon Closing which will be listed on the Stock Exchange

DEFINITIONS

“Successor Company Articles”	the eighth amended and restated articles of association of the Successor Company (as amended from time to time), conditionally adopted by the Target Company on December 8, 2023 and which will become effective immediately prior to the Effective Time, a summary of which is set out in the section headed “Appendix V – Summary of the Constitution of the Successor Company and Cayman Islands Company Law”
“Successor Company Listed Warrants”	subscription warrants issued by the Successor Company in consideration of the cancellation of the SPAC Listed Warrants as defined under the section headed “Letter from the Vision Deal Board – J. The Business Combination Agreement” and pursuant to the Successor Company Listed Warrant Instrument
“Successor Company Promoter Warrants”	subscription warrants issued by the Successor Company in consideration of the cancellation of the SPAC Promoter Warrants as detailed under the section headed “Letter from the Vision Deal Board – J. The Business Combination Agreement” and pursuant to the Successor Company Promoter Warrant Agreement
“Successor Company Unlisted Warrants”	the unlisted warrant at the subscription price of US\$0.0001 per unlisted warrant to be issued by the Successor Company to Quwan EOR Limited held by the Earn-out Trust before the Closing, which will entitle Quwan EOR Limited to be allotted and issued the Successor Company Shares upon exercise of the unlisted warrants at US\$0.0001 when certain conditions connected with the Share Price Earnout Event and Net Profit Earn-out Event being satisfied
“Successor Company Memorandum”	the memorandum of association of the Successor Company (as amended from time to time), conditionally adopted by the Target Company on December 8, 2023 and which will become effective immediately prior to the Effective Time, a summary of which is set out in the section headed “Appendix V – Summary of the Constitution of the Successor Company and Cayman Islands Company Law”
“Successor Company Memorandum and Articles”	the Successor Company Memorandum and the Successor Company Articles

DEFINITIONS

“Successor Company Shareholder(s)”	holder(s) of Successor Company Shares
“Successor Company Shares” or “Successor Company Ordinary Shares”	ordinary shares in the share capital of the Successor Company with a par value of US\$0.0001 each
“Successor Company Warrants”	Successor Company Listed Warrants and Successor Company Promoter Warrants (as applicable)
“Successor Company Warrant Holder(s)”	holder(s) of Success Company Warrants
“Successor Group”	the Successor Company, its subsidiaries and Consolidated Affiliated Entities as of Closing, including their respective predecessors
“the Hong Kong Stock Exchange” or “the Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers
“Target Capital Restructuring”	at the Effective Time, prior to the implementation of the Share Transfer and Merger, the (i) the Preferred Share Conversion, (ii) the Capitalization Issue; and (iii) Share Reclassification implemented by the Target Company
“Target Company” or “Target”	Quwan Holding Limited (趣丸集团), an exempted company with limited liability incorporated in the Cayman Islands on May 29, 2019
“Target Company Articles”	the seventh amended and restated memorandum and articles of association of the Target Company, as may be amended and/or restated from time to time after the date hereof and in effect immediately prior to the Share Reclassification
“Target Company ESOP”	2020 Global Employee Incentive Plan adopted by the Target Company on December 31, 2020
“Target Company HK”	Quwan (HK) Limited was incorporated in Hong Kong as a wholly owned subsidiary of the Target Company

DEFINITIONS

“Target Company Ordinary Shares”	the ordinary shares of the Target Company, with par value US\$0.0001 per share, and with the rights, preferences and privileges set out in the Target Company Articles
“Target Company Preferred Shares”	collectively, the Series Angel Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares and Series C Preferred Shares in the share capital of the Target Company, each with a par value of US\$0.0001 and the respective rights, preferences and privileges set out in the Target Company Articles
“Target Company Shareholder”	a holder of any Target Company Ordinary Shares and Target Company Preferred Shares
“Target Company Shares”	Target Company Ordinary Shares and Target Company Preferred Shares
“Target Company Shares Conversion”	the conversion of Target Company Preferred Shares then issued and outstanding into a number of validly issued and fully paid Target Company Ordinary Shares pursuant to the conversion notice or Target Company Articles
“Target Disposing Shareholders”	Image Frame Investment, Matrix Partners China V, L.P., Matrix Partners China V-A, L.P., Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P., Skycus China Fund L.P. and Dream League Limited, being the sellers of the Target Disposing Shares pursuant to the Share Transfer Agreements
“Target Disposing Shares”	the shares of the Target Company that the Target Disposing Shareholders dispose pursuant to the Share Transfer Agreements
“Target Group”	the Target Company, its direct and indirect subsidiaries and Consolidated Affiliated Entities which will form part of the Successor Group
“Target HK”	Quwan (HK) Limited was incorporated in Hong Kong as a wholly-owned subsidiary of the Target Company

DEFINITIONS

“Target Merger Sub”	QW Merger Sub Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability on October 20, 2023, and a wholly-owned subsidiary of the Target Company for the purpose of effectuating the Merger
“Target Merger Total Equity Value”	the pre-money total equity value of the Target Remaining Shares with reference to the fund-raising history of the pre-listing investments of the Target including the approximate amount raised in each round of the pre-listing investment of the Target, which is HK\$8,215 million
“Target Remaining Shareholders”	the shareholders of the Target Company who hold the Target Remaining Shares
“Target Remaining Shares”	the remaining shares of the Target Company after the Share Transfer
“Target Shareholder(s)”	holder(s) of any Target Company Ordinary Shares and Target Company Preferred Shares
“Target VIE”	Guangzhou Quwan and its subsidiaries
“Target WFOE” or “Guangzhou Yongjie”	Guangzhou Yongjie Network Technology Co., Ltd. (廣州永捷網絡科技有限公司), formerly known as Zhuhai Huanquhui Network Co., Ltd. (珠海歡趣匯網絡科技有限公司), a wholly foreign owned enterprise (“WFOE”) of Target HK
“Track Record Period”	the financial years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023
“Unconditional Date”	the first Business Day in Hong Kong on or by which all Conditions have been fulfilled or if permissible, waived (other than those conditions that by their nature are to be satisfied at Closing), or such later date as may be agreed in writing by the Target Company and Vision Deal
“United States”, “U.S.” or “US”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

DEFINITIONS

“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Vanker”	Vanker (BVI) Limited, one of the Controlling Shareholders of the Target Company, a limited liability company incorporated in the BVI on September 10, 2019, which is controlled by Mr. Song indirectly
“VAT”	value-added tax
“Vision Deal”	Vision Deal HK Acquisition Corp., an exempted company incorporated under the laws of the Cayman Islands with limited liability on January 20, 2022, the shares of which are listed on the Main Board of the Stock Exchange on June 10, 2022
“Vision Deal Articles”	the amended and restated memorandum and articles of association of Vision Deal conditionally adopted on May 28, 2022 and which became effective on June 10, 2022, as in effect on the date of the Business Combination Agreement
“Vision Deal Board”	the board of Directors of Vision Deal
“VKC Management”	VKC Acquisition Management Limited, a company incorporated in the British Virgin Islands on February 26, 2020
“Wenzhou Huanqu”	Wenzhou Huanqu Enterprise Management Joint Enterprise (Limited Partnership) (溫州歡趣企業管理合伙企業(有限合伙)), formerly known as Guiyang Youqu Enterprise Management Partnership (Limited Partnership) (貴陽游趣企業管理合伙企業(有限合伙)), a limited partnership established in the PRC on January 20, 2020, with Mr. Song as the general partner
“WTO”	The World Trade Organization, which is an intergovernmental organization that regulates and facilitates international trade

DEFINITIONS

“Xiamen Quji”	Xiamen Quji Enterprise Management Joint Enterprise (Limited Partnership) (廈門趣集企業管理合夥企業(有限合夥)), formerly known as Guiyang Shengqu Enterprise Management Joint Enterprise (Limited Partnership) (貴陽盛趣企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on December 22, 2015, with Mr. Song as the general partner
“Xiamen Saimailei”	Xiamen Saimailei Technology Co., Ltd. (廈門塞邁雷科技有限公司), a limited liability company established in the PRC on September 11, 2017 and one of the Target Company’s Consolidated Affiliated Entities
“Yitian Lianxun”	Beijing Yitian Lianxun Information Technology Co., Ltd. (北京一天連訊信息技術有限公司), a limited liability company established in the PRC on May 26, 2005 and one of the Target Company’s Consolidated Affiliated Entities
“Yun Qu”	Yun Qu Limited, a limited liability company incorporated in the BVI on October 16, 2020, which is wholly owned by Du Guo and a Shareholder of the Target Company
“Zhangshu Weiqu”	Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合夥)), a limited partnership established in the PRC on December 22, 2015, with Mr. Song as the general partner
“Zhuhai Huitou”	Zhuhai Huitou Management Consulting Co., Ltd (珠海慧投管理諮詢有限公司), a limited liability company established in the PRC on January 13, 2021 and one of the Target Company’s Consolidated Affiliated Entities
“%”	per cent.

For the purpose of this circular, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.91016 to HK\$1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

DEFINITIONS

For the purpose of this circular, unless otherwise specified, conversion of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 to HK\$7.8148. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or US\$ have been, could have been or may be converted at such or any other rate or at all.

The English names of the Chinese companies, entities, departments, facilities, certificates, titles and the like marked with “” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the case of any inconsistency, the Chinese name prevails.*

The English language version of this circular has been translated into the Chinese language and English and Chinese versions of this circular are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall prevail.

GLOSSARY OF TECHNICAL TERMS

In this circular, unless the context otherwise requires, explanations and definitions of certain terms used in this circular in connection with the Target Group and its business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“CAGR”	compound annual growth rate
“consumable virtual gifts”	refers to virtual gifts to be presented to other users to show appreciation and express enjoyment, which can only be gifted once. “Consumable virtual gifts” is a common terminology adopted by mobile social networking and/or online entertainment businesses
“Esports athletes” or “Esports players”	refers to people who participate in different types of Esports competitions as players
“Esports gamers”	refers to people who play Esports games
“guild”	refers to an organized group of hosts led by a representative who sets up the guild that manages certain voice-based social entertainment chatrooms on our platform and recruits, manages, trains and supports its member hosts
“host”	refers to a user who contacted with a guild or with us to drive social interactions among users in our voice chatrooms and/or to broadcast audio entertainment contents on our platform, as the case may be
“metaverse”	an online 3D virtual universe (or virtual world) where users can interact with each other with a virtual identity in various scenarios including social networking and gaming
“IM”	refers to instant messaging, the exchange of near-real-time messages through online applications
“middle platform”	refers to an intermediate layer in our software development system, which addresses the inherent contradiction between the rapidly changing user demands in the front-end of our system and the stability and security requirements of the back-end of our system, and allows for more efficient development processes, reduced innovation costs, and improved overall system performance

GLOSSARY OF TECHNICAL TERMS

“mobile gamers”	refer to people who play games on mobile devices
“monthly active users” or “MAUs”	refers to the number of unique user accounts, excluding spam accounts, that logged in to our <i>TT Chat</i> platform in a given month at least once
“monthly average revenue per paying user”	refers to our monthly average revenue per paying user, calculated by dividing our revenue from value-added services and audio entertainment services by the product of the number of months and the MPUs in the respective year
“monthly paying users” or “MPUs”	refers to user accounts who paid for services offered on our <i>TT Chat</i> platform in a given month at least once
“next day user retention ratio”	refers to the percent of users who access our <i>TT Chat</i> platform on the next day of a specified date
“our platform,” “ <i>TT Chat</i> platform” or “ <i>TT Chat</i> ”	refers to our integrated platform of mobile applications, currently consisting of our flagship mobile app <i>TT Chat</i> app (TT語音), as well as ancillary mobile apps such as Huanyou app (歡遊), Mijing app (謎境) and Mic app (麥可)
“paying ratio”	refers to average MPUs as a percentage of average MAUs
“paying users”	refers to user accounts who paid for services offered on our <i>TT Chat</i> platform at least once during a given period
“PC”	personal computer
“registered users”	refers to a user that has registered an account with our <i>TT Chat</i> platform by providing required information and has logged in to our apps at least once since registration. We calculate the number of registered users as the cumulative number of valid user accounts as of the end of a given period, and consequently, such number may not equal the number of active user accounts during the relevant period. Each individual user may have more than one user account registered with our <i>TT Chat</i> platform, and consequently, the number of registered users we present in this circular may not equal the number of distinct individuals who are represented by the registered users

GLOSSARY OF TECHNICAL TERMS

“ <i>TT Chat</i> app”	refers to our flagship mobile app – <i>TT Chat</i> app (excluding its international version which currently does not have a material contribution to us)
“whitelist form”	refers to a list of contents we maintained that sets forth permissible contents for minors determined based on our content monitoring guidelines

CORPORATE INFORMATION OF THE SUCCESSOR COMPANY

Registered Office	PO Box 309, Uglan House Grand Cayman KY1-1104 Cayman Islands
Head Offices and Principal Places of Business in China	19/F, Tower B, GRG Square 163 Huangpu Avenue West Pingyun Road Tianhe District, Guangzhou Guangdong Province PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Successor Company's Website	<u>www.quwangroup.com</u> <i>(A copy of this circular is available on the Successor Company's website. Except for the information contained in this circular, none of the other information contained in the Successor Company's website forms part of this circular)</i>
Joint Company Secretaries	Mr. Lyu Shaoyu (呂紹昱) Room 704, Block A No. 45 Tianhe Road Yuexiu District, Guangzhou Guangdong PRC Ms. Ng Wai Kam (伍偉琴) <i>Associate member of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorized Representatives	Mr. Song Ke (宋克) Room 1901, No.1 Huiyue Second Street Haizhu District, Guangzhou PRC

CORPORATE INFORMATION OF THE SUCCESSOR COMPANY

	<p>Ms. Ng Wai Kam (伍偉琴) 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong</p>
Audit Committee	<p>Mr. Mak Yau Kee Adrian (麥佑基) (<i>Chairperson</i>) Ms. Wang Yuxiao (王羽瀟) Mr. He Dongdong (賀東東)</p>
Remuneration Committee	<p>Mr. He Dongdong (賀東東) (<i>Chairperson</i>) Mr. Song Ke (宋克) Ms. Wang Yuxiao (王羽瀟)</p>
Nomination Committee	<p>Mr. Song Ke (宋克) (<i>Chairperson</i>) Ms. Wang Yuxiao (王羽瀟) Mr. Mak Yau Kee Adrian (麥佑基)</p>
ESG Committee	<p>Mr. Song Ke (宋克) (<i>Chairperson</i>) Mr. Lyu Shaoyu (呂紹昱) Ms. Wang Yuxiao (王羽瀟)</p>
Compliance Advisor	<p>Rainbow Capital (HK) Limited Room 5B, 12/F, Tung Ning Building No. 2 Hillier Street, Sheung Wan Hong Kong</p>
Principal Share Registrar and Transfer Office	<p>Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands</p>
Hong Kong Share Registrar	<p>Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong</p>

CORPORATE INFORMATION OF THE SUCCESSOR COMPANY

Principal Bank

**The Hongkong and Shanghai Banking
Corporation Limited**
HSBC Main Building
1 Queen's Road
Central
Hong Kong

WAIVERS AND EXEMPTIONS

In preparation for the Listing, the Target Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

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

The Successor Company does not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Successor Group’s management, headquarters, assets and business operations are primarily based, managed and conducted in the PRC. Currently, none of the executive Directors of the Successor Company ordinarily resides in Hong Kong. The senior management of the Successor Group are also primarily based in the PRC and they manage the Successor Group’s business operations from the PRC. As the executive Directors and the senior management team of the Successor Company play important roles in the Successor Company’s business operations, the Directors of the Successor Company consider that it is in the best interests of the Successor Company for the executive Directors and the senior management team to be based in places where the Successor Group has significant operations. As such, the Successor Company does not, and will not for the foreseeable future, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, the Successor Company applied to the Stock Exchange for[, and the Stock Exchange has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. The Successor Company will ensure that there is an effective channel of communication between the Successor Company and the Stock Exchange by way of the following arrangements:

- (a) pursuant to to Rule 3.05 of the Listing Rules, the Successor Company has appointed and will continue to maintain two authorized representatives, namely Mr. Song, its executive Director and Ms. Ng Wai Kam (伍偉琴) (“Ms. Ng”), one of the joint company secretaries of the Successor Company, to be the principal communication channel at all times between the Stock Exchange and the Successor Company. Each of the authorized representatives of the Successor Company will be readily contactable by the Stock Exchange based on information provided to the Stock Exchange for the contact details of authorized representatives and will be available to meet with the Stock Exchange within a reasonable period of time upon request of the Stock Exchange. Both of the authorized representatives of the Successor Company are authorized to communicate on the Successor Company’s behalf with the Stock Exchange and shall be authorized to accept service of process and notices on behalf of the Successor Company in Hong Kong under the Companies Ordinance;

WAIVERS AND EXEMPTIONS

- (b) the Successor Company will implement a policy to provide the contact details of each Director of the Successor Company (such as mobile phone numbers and email addresses) to each of the authorized representatives and to the Stock Exchange. This will ensure that each of the authorized representatives, the company secretaries of the Successor Company and the Stock Exchange will have the means to contact all the Directors of the Successor Company (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors of the Successor Company when they are traveling. In the event that a Director expects to travel or is otherwise out of office, he/she will endeavour to provide his/her phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone;
- (c) the Successor Company will ensure that all Directors of the Successor Company who are not ordinarily resident in Hong Kong either possess, or can apply for, valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;
- (d) the Successor Company has appointed Rainbow Capital (HK) Limited as its compliance advisor (the “**Compliance Advisor**”) upon Listing, in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will serve as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of the Successor Company. The Compliance Advisor will provide the Successor Company with professional advice on ongoing compliance with the Listing Rules. The Successor Company will ensure that the Compliance Advisor has prompt access to the Successor Company’s authorized representatives and Directors of the Successor Company who will provide to the Compliance Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor’s duties. The Compliance Advisor will also provide advice in compliance with Rule 3A.23 of the Listing Rules;
- (e) the Successor Company will appoint other professional advisors (including legal advisors in Hong Kong) after the Listing to assist the Successor Company in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange;
- (f) the Successor Company has designated one of its staff members as the communication officer at its headquarters after the Listing who will be responsible for maintaining day-to-day communication with Ms. Ng and the Successor Company’s professional advisors in Hong Kong, including its legal advisors in Hong Kong and the Compliance Advisor, to keep abreast of any correspondences and/or enquiries from the Stock Exchange and report to the executive Directors of the Successor Company to further facilitate communication between the Stock Exchange and the Successor Company; and

WAIVERS AND EXEMPTIONS

- (g) meetings between the Stock Exchange and the Directors of the Successor Company could be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors of the Successor Company within a reasonable time frame. The Successor Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors of the Successor Company and/or the Compliance Advisor in accordance with the Listing Rules.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rules 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other listed companies and the roles he or she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

The Successor Company has appointed Lyu Shaoyu (呂紹昱) (“**Mr. Lyu**”) as one of its joint company secretaries. Mr. Lyu has extensive experience in finance, board and corporate governance matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. While Mr. Lyu may not be able to solely fulfill the requirements of the Listing Rules, the Successor Company believes that it would be in the best interests of the Successor Company and the corporate governance of the Successor Company to appoint

WAIVERS AND EXEMPTIONS

Mr. Lyu as its joint company secretary in light of his familiarity with finance and compliance matters as acquired through his previous work experience and his understanding of the internal administration and business operations of the Successor Group. The Successor Company has also appointed Ms. Ng to act as the other joint company secretary. Ms. Ng is a Chartered Secretary, a Chartered Governance Professional, an associate of The Hong Kong Chartered Governance Institute (HKCGI) and an Associate of The Chartered Governance Institute (CGI), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Lyu for an initial period of three years from the Listing to enable Mr. Lyu to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Mr. Lyu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Lyu may be appointed as a joint company secretary of the Successor Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time (“**Waiver Period**”) and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 (“**Qualified Person**”) and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing, and is granted on the condition that Ms. Ng, as a joint company secretary of the Successor Company, will work closely with, and provide assistance to, Mr. Lyu in the discharge of his duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Ms. Ng’s professional qualifications and experience, she will be able to explain to both Mr. Lyu and the Successor Company the relevant requirements under the Listing Rules. Ms. Ng will also assist Mr. Lyu in organizing Board meetings and Shareholders’ meetings of the Successor Company as well as other matters of the Successor Company which are incidental to the duties of a company secretary. She is expected to work closely with Mr. Lyu, and will maintain regular contact with Mr. Lyu, the Directors and the senior management of the Successor Company. The waiver will be revoked immediately if Ms. Ng ceases to provide assistance to Mr. Lyu as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by the Successor Company. In addition, Mr. Lyu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing.

WAIVERS AND EXEMPTIONS

In the course of preparation of the Listing, Mr. Lyu attended a training seminar on the respective obligations of the Directors and senior management and the Successor Company under the relevant Hong Kong laws and the Listing Rules provided by the Successor Company’s Hong Kong legal adviser and has been provided with the relevant training materials. The Successor Company will further ensure that Mr. Lyu has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, both Mr. Lyu and Ms. Ng will seek and have access to advice from the Successor Company’s Hong Kong legal and other professional advisers as and when required. The Successor Company has appointed Rainbow Capital (HK) Limited as the Compliance Advisor upon the Listing pursuant to Rule 3A.19 of the Listing Rules, which will act as the Successor Company’s additional channel of communication with the Stock Exchange, and provide professional guidance and advice to the Successor Company and its joint company secretaries as to compliance with the Listing Rules and all other applicable laws and regulations.

Before the expiration of the three-year period, the qualifications and experience of Mr. Lyu will be further evaluated by the Successor Company to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance of Ms. Ng will continue. The Successor Company will liaise with the Stock Exchange to enable it to assess whether Mr. Lyu, having benefited from the assistance of Ms. Ng for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the “relevant experience” within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed “Directors and Senior Management of the Successor Company” for further information regarding the qualifications of Mr. Lyu and Ms. Ng.

WAIVER IN RESPECT OF BUSINESS ACQUIRED AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant include in its accountants’ report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules.

WAIVERS AND EXEMPTIONS

Background of the Post-TRP Investments

Since June 30, 2023 (being the date to which the Successor Group’s latest audited accounts have been made up) and up to the Latest Practicable Date, the Successor Group has made or agreed to make certain investments (the “**Post-TRP Investments**”), details of which are set out below:

No.	Name of the investee company (the “Investee Companies”)	Date of registration as the shareholder of the Investee Companies	Investment amount	Percentage shareholding of the Successor Group in the Investee Companies after completion of the Post-TRP Investments	Principal business of the Investee Companies	Basis for determining the investment amount
1.	Company A	July 24, 2023	RMB15,000,000	17.24% ⁽¹⁾	Operates in development of online interactive entertainment products (such as short videos and drama series)	Company A’s funding needs and valuation negotiated with Company A taking into account its prospect
2.	Partnership B	To be determined	RMB45,000,000	0.50%	Investment in companies which principally engage in information technology, internet application, artificial intelligence	Negotiation with the seller with reference to the acquisition cost of the seller when it subscribed partnership interest in Partnership B
3.	Guangzhou Xinyan	October 9, 2023	RMB15,704,800	60.00% ⁽²⁾	Development of online games and operation of social network platform	Guangzhou Xinyan’s funding needs and valuation negotiated with Guangzhou Xinyan and the seller taking into account Guangzhou Xinyan’s prospect
4.	Company C	November 22, 2023	RMB30,000,000	20.00%	Artificial intelligence generated content business	Company C’s funding needs and valuation negotiated with Company C and its founder taking into account Company C’s prospect
5.	Partnership D	November 24, 2023	RMB22,000,000	66.65% ⁽³⁾	Investment in technology and healthcare companies with potential growth	Partnership D’s funding needs and negotiation with the general partner when it subscribed partnership interest in Partnership D

WAIVERS AND EXEMPTIONS

Note:

- (1) The Successor Group held 7.69% equity interest in Company A immediately before the proposed Post-TRP Investment in Company A, and acquired 10.34% equity interest in the enlarged issued capital of Company A through subscription of increased capital.
- (2) The Successor Group held 16.67% equity interest in Guangzhou Xinyan immediately before the proposed Post-TRP investment in Guangzhou Xinyan, and acquired 43.33% equity interest in the enlarged issued capital of Guangzhou Xinyan through subscription of increased capital and acquisition of equity interest from existing shareholder of Guangzhou Xinyan.
- (3) The Successor Group held 66.65% partnership interest as a limited partner and does not have control of Partnership D as a limited partner.

The Directors of the Successor Company believe that the terms of the Post-TRP Investments are fair and reasonable and in the interests of the Shareholders as a whole. To the best of the Successor Company’s Directors’ knowledge, information and belief, having made all reasonable enquiries, the other shareholders of Investee Companies and their respective ultimate beneficial owners are third parties independent from the Successor Company and its connected persons.

Conditions to the waiver granted by the Stock Exchange

The Successor Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Post-TRP Investments on the following grounds:

(a) Ordinary and usual course of business

The Investee Companies are engaged in business activities complementary with or related to the existing business of the Successor Company, or business with potential growth for strategic minority investment. As a result, the Successor Company is of the view that entering into the Post-TRP Investments is within the ordinary and usual course of business of the Successor Company. In addition, to the best of the Successor Company’s knowledge, the counterparties of the Post-TRP Investments and their ultimate beneficial owners are third parties independent of the Successor Company and its connected persons (as defined in Chapter 14A of the Listing Rules).

(b) Immateriality

All the applicable percentage ratios (as defined under Rule 14.04(9)) in relation to the Post-TRP Investments are below 5% by reference to the most recent audited financial year of the Track Record Period. The Successor Company considers the Post-TRP Investments to be immaterial in the context of its operations as a whole and therefore a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not affect potential investors’ assessment of its business and future prospects when considering an investment in the Successor Company.

WAIVERS AND EXEMPTIONS

(c) It would be unduly burdensome to prepare financial information

The Successor Company only holds minority equity interests in Company A, Partnership B, Company C and Partnership D and does not control their boards of directors. The Successor Group is not able to exercise any control over Company A, Partnership B, Company C and Partnership D. Before the Post-TRP Investments, Guangzhou Xinyan was held by the Successor Group as to 16.67% and its results were not consolidated into the financial statements of the Successor Company. Guangzhou Xinyan does not have audited historical financial information which is readily available for disclosure in this circular in accordance with the Listing Rules. It would require considerable amount of time and resources for the Successor Company and its reporting accountant to fully familiarize themselves with the accounting policies of Guangzhou Xinyan and compile necessary financial information and supporting documents for disclosure in this circular. Given the immateriality of the Post-TRP Investments to the business, financial condition or operations of the Successor Group, it would also be unduly burdensome to prepare and disclose the audited financial information of the Investee Companies.

(d) Alternative disclosure

With a view of allowing potential investors to understand the investment in the Investee Companies in greater detail, the Successor Company has set out in this section alternative information in relation to the Post-TRP Investments which is comparable to the information that is required for a discloseable transaction under Chapter 14 of the Listing Rules, including, among other things, description of the principal business activities of the Investee Companies, a confirmation that the counterparties and the ultimate beneficial owners of the counterparties of the Post-TRP Investments are Independent Third Parties, the consideration for the Post-TRP Investments, basis upon which the consideration for the Post-TRP Investments was determined and the reasons for entering into the Post-TRP Investments.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Successor Company has entered into, and is expected to continue after the Listing, certain transactions in respect of the Contractual Arrangements and the Intra-group Transactions (as defined in the section headed “Connected Transactions”) which will constitute non-exempt continuing connected transactions as defined under the Listing Rules. The Successor Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the connected transactions under the Contractual Arrangements and the Intra-group Transactions pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements and the Intra-group Transactions under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements and the Intra-group Transactions to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Successor Company’s Shares are listed on the Stock Exchange, subject to certain conditions. For further information on such waiver please refer to the section headed “Connected Transactions”.

WAIVERS AND EXEMPTIONS

WAIVER AND EXEMPTION IN RELATION TO THE 2020 GLOBAL EMPLOYEE INCENTIVE PLAN

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to disclose in the prospectus full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards.

Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures, must be specified in the listing document.

As of the Latest Practicable Date, the Target Company had granted options under the 2020 Global Employee Incentive Plan to 217 grantees to subscribe for an aggregate of 12,800,116 Target Company Shares (as adjusted to 72,327,700 Successor Company Shares upon completion of Capitalization Issue), representing approximately 7.40% of the issued share capital of the Successor Company immediately after completion of the De-SPAC Transaction (assuming the Presumptions) for which the grantees include two Directors and two senior management members of the Successor Company (one of them is also a Director of the Successor Company) (with respect to 2,842,313 underlying Target Company Shares (as adjusted to 16,060,633 Successor Company Shares upon completion of Capitalization Issue)). No option was granted to other Directors, senior management or connected persons of the Successor Company. As of the Latest Practicable Date, 1,050,000 Target Company Shares (as adjusted to 5,933,078 Successor Company Shares upon completion of Capitalization Issue) have been issued to Funplus upon exercise of the granted options by Mr. Song and options

WAIVERS AND EXEMPTIONS

granted to 216 grantees to subscribe for 11,750,116 Target Company Shares (as adjusted to 66,394,622 Successor Company Shares upon completion of Capitalization Issue) remain outstanding. As at the Latest Practicable Date, no RSUs, restricted shares or other Awards has been granted under the 2020 Global Employee Incentive Plan. The Successor Company does not have any plan to grant further options, RSUs, restricted shares or other Awards other than the 2020 Global Employee Incentive Plan.

The Successor Company has applied to the Stock Exchange and the 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 the Successor 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 grounds that strict compliance with the above requirements would be unduly burdensome for the Successor Company for the following reasons:

- (1) since the outstanding options under the 2020 Global Employee Incentive Plan were granted to a total of 216 grantees involved, strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in the circular will require substantial number of pages of additional disclosure that does not provide any material information to the investing public and would be costly and unduly burdensome for the Successor Company in light of increase in cost and timing for information compilation and circular preparation;
- (2) the disclosure of the personal details of each grantee, including the number of options granted, would require obtaining consent from all grantees in order to comply with personal data privacy laws and principles which would be unduly burdensome for the Successor Company to obtain such consent given the number of grantees;
- (3) key information of the options granted under the 2020 Global Employee Incentive Plan to the Directors and senior management members of the Successor Company has already been disclosed under the section headed "Appendix VII – Statutory and General Information – E. Employee Incentive Plans";
- (4) the key information of the 2020 Global Employee Incentive Plan as disclosed under the section headed "Appendix VII – Statutory and General Information – E. Employee Incentive Plans" is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the 2020 Global Employee Incentive Plan in their investment decision making process;

WAIVERS AND EXEMPTIONS

- (5) with respect to the grantees other than the Directors and senior management members of the Successor Company, such number of shares (representing only approximately 5.15% of the total issued share capital of the Successor Company immediately following the completion of the De-SPAC Transaction (assuming the Presumptions) is not material in the circumstances of the Successor Company, and the exercise in full of such share options will not cause any material adverse change in the financial position of the Successor Company; and
- (6) the lack of full compliance with such disclosure requirements will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Successor Group and will not prejudice the interest of the investing public.

The Stock Exchange [has granted] us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules on the conditions that the following information will be clearly disclosed in this circular:

- (a) on individual basis, full details of all the options granted by the Successor Company under the 2020 Global Employee Incentive Plan to each of the Directors and senior management members of the Successor Company, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules;
- (b) in respect of the options granted by the Successor Company to the grantees other than those referred to in sub-paragraph (a) above:
 - a. the aggregate number of the grantees and the number of Successor Company Shares subject to the options;
 - b. the date of the grant of the options; and
 - c. the exercise period and the exercise price for the options;
- (c) the dilution effect and impact on earnings per Successor Company Share upon full exercise of the outstanding options granted under the 2020 Global Employee Incentive Plan;
- (d) the aggregate number of Successor Company Shares subject to the outstanding options granted by the Successor Company under the 2020 Global Employee Incentive Plan and the percentage of the Successor Company's issued share capital of which such number represents;
- (e) a summary of the 2020 Global Employee Incentive Plan; and

WAIVERS AND EXEMPTIONS

- (f) the list of all the grantees (including the persons referred to in paragraph (b) above), containing all details as required under Rule 17.02(1)(b), 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 be made available for public inspection in accordance with the section headed “Appendix IX – Documents on Display” of this circular.

The SFC has [agreed to grant] to the Successor Company a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Successor Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) full details of all the options granted under the 2020 Global Employee Incentive Plan to each of the Directors and senior management members of the Successor Company, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted by the Successor Company to the grantees other than those referred to in sub-paragraph (a), the following details be disclosed in this circular:
 - (i) the aggregate number of the grantees and the number of Successor Company Shares subject to the options; and
 - (ii) the exercise period and the exercise price for the options;
- (c) a list of all the grantees (including the persons referred to in sub-paragraph (b) above) who have been granted options to subscribe for Successor Company Shares under the 2020 Global Employee Incentive Plan, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with the section headed “Appendix IX – Documents on Display” of this circular; and
- (d) the particulars of the exemption be disclosed in this circular and that this circular will be issued on or before [February 29], 2024.

Further details of the 2020 Global Employee Incentive Plan are set forth in the section headed “Appendix VII – Statutory and General Information – E. Employee Incentive Plans” of this circular.

WAIVERS AND EXEMPTIONS

WAIVER FROM COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The Accountant's Report of the Target Group set out in Appendix I to this Circular contains the audited consolidated results of our Group for the three years ended December 31, 2020, 2021 and 2022 and the [nine] months ended [September 30], 2023. The profit/(loss) estimate set out in Appendix IIIA contains the profit/(loss) estimate for the year ended December 31, 2023 which is estimated by the Target Group Directors based on the audited results for the [nine] months ended [September 30], 2023 and the management accounts for the [three] months ended December 31, 2023.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the Target Group in respect of each of the three financial years immediately preceding the issue of the listing document be included in the Accountant's Report of the Target Group to this circular.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountant's report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that the Target Company sets out in this Circular a statement as to the gross trading income or sales turnover (as may be appropriate) of the Target Group during each of the three financial years immediately preceding the issue of this circular.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that the Target Group includes in this Circular a report by the auditors with respect to the profit and loss of the Target Group for each of the three financial years ended immediately preceding the issue of this circular and the assets and liabilities of the Target Group as at the end of each of the three financial years ended immediately preceding the issue of this circular.

An application has been made to the to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules in relation to the inclusion of the Accountant's Report for the full financial year ended December 31, 2023 in this circular on the following grounds:

- (a) the Target Company Directors are of the view that there is no event which would materially affect the information contained in the Accountant's Report of the Target Group as contained in Appendix I and the profit/(loss) estimate of the Target Group as contained in Appendix IIIA to this circular. The Target Company Directors consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of the Target Group has been included in this circular;

WAIVERS AND EXEMPTIONS

- (b) the Target Company Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules would not prejudice the interests of the investing public;
- (c) the Target Company shall be listed on the Stock Exchange within three months after December 31, 2023, being the latest financial year end of the Target Company;
- (d) this circular contains a statement from the Target Company Directors that there has been no material adverse change to the financial and trading positions or prospect of the Target Group since [September 30], 2023 (being the date of which the latest audited consolidated financial statement of the Target Group were made up) and up to December 31, 2023;
- (e) in accordance with Guidance Letter HKEX-GL-25-11, an estimate of the consolidated profit/(loss) of the Target Group for the year ended December 31, 2023 has been included in this circular. Investing public would thus be given some guidance as to the Target Group's financial performance for the year ended December 31, 2023; and
- (f) the Target Company shall publish its annual results and annual report within the time prescribed under the Rules 13.49(1) and 13.46(1) of the Listing Rules, respectively.

The Stock Exchange [has granted] us a waiver from strict compliance with Rule 4.04(1) of the Listing Rules on the conditions that (i) the Listing Date shall not be later than three months after the latest financial year end of the Target Company; (ii) the Target Company has obtained a certificate of exemption from the SFC from similar requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (iii) a profit/(loss) estimate for the financial year ended December 31, 2023 in compliance with Rules 11.17 to 11.19 of the Listing Rules shall be included in this circular; and (iv) a Target Company Directors' statement that there is no material adverse change to the financial and trading positions or prospects of the Target Group with specific reference to the trading results from [September 30], 2023 to December 31, 2023 shall be included in this circular.

In connection with a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Target Company from strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance mentioned above, an application has been made to the SFC for the certificate of exemption from strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the Accountant's Report for the full financial year ended December 31, 2023 in this circular on the following grounds:

- (a) the Target Company Directors are of the view that there is no event which would materially affect the information contained in the Accountant's Report as contained in the Appendix I and the profit/(loss) estimate of the Target Group as contained in Appendix IIIA to this Circular. The Target Company Directors consider that all

WAIVERS AND EXEMPTIONS

information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of the Target Group has been included in this circular;

- (b) the Target Company Directors believe that an exemption from strict compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prejudice the interests of the investing public; and
- (c) strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome in order for the audited results of the Target Group for the year ended December 31, 2023 to be finalized shortly after the 2023 year end. If the full year results of the Target Group for 2023 were to be included in this circular, there will be a considerable delay in the listing timetable. If the financial information is required to be audited up to December 31, 2023, the Target Company and the reporting accountant to the Target Group would have to undertake a considerable amount of work to prepare, update and finalize the Accountant's Report to cover such additional period within a short period of time.

The Target Company Directors consider that the benefits of such work to the prospective investors of the Target Company may not justify the additional work and expenses involved and the delay in the listing timetable, given that it is expected that there would be no significant change in the financial position of the Target Group since [September 30], 2023, being the expiry of the period reported on by PricewaterhouseCoopers, the Target Company's reporting accountant.

A certificate of exemption [has been granted] by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) this circular will be issued on or before [February 29], 2024 and the Successor Company Shares and Successor Company Warrants will be listed on or before [March 31], 2024; and (ii) the particulars of the exemption are set out in this circular.

The Target Company Directors have confirmed that they have ensured that sufficient due diligence has been performed and that up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Target Group since [September 30], 2023 (being the date to which the latest consolidated financial statements of the Target Group were made up), including the [three] months up to December 31, 2023 and there has been no event which would materially affect the information shown in the Accountant's Report (as set out in Appendix I to this circular) and the profit/(loss) estimate of the Target Group (as set out in Appendix IIIA to this circular). The above confirmation of no material adverse change is based on the fact that profit/(loss) incurred by the Target Group for the nine months ended [September 30], 2023 was RMB[●] as set out in the accountant's report in Appendix I of this circular and the profit/(loss) incurred by the Target Group for the year ended December 31, 2023 was not less/more than RMB[●] as set out in the profit/(loss) estimate in Appendix IIIA of this circular.

DIRECTORS AND PARTIES INVOLVED IN THE DE-SPAC TRANSACTION

DIRECTORS OF THE SUCCESSOR COMPANY

Name	Address	Nationality
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Executive Directors of the Successor Company

Mr. Song Ke (宋克)	Room 1901, No.1 Huiyue Second Street Haizhu District, Guangzhou PRC	Chinese
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Mr. Chen Guangyao (陳光堯)	Room 2403, Building C, Dong Hai Jia Yuan, No. 96 Dongxing North Road Yuexiu District, Guangzhou PRC	Chinese
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Mr. Lyu Shaoyu (呂紹昱)	Room 704, Block A No. 45 Tianhe Road Yuexiu District, Guangzhou PRC	Chinese
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Non-executive Director of the Successor Company

Mr. Wei Zhe (衛哲)	Room 5523, 55/F Four Seasons Place 8 Finance Street Central Hong Kong	Chinese
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Independent Non-Executive Directors of the Successor Company

Mr. Mak Yau Kee Adrian (麥佑基)	Flat 9C, 1 Homantin Hill Road Kowloon, Hong Kong	Chinese
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Ms. Wang Yuxiao (王羽瀟)	Room 509, Building 3 139 Chaoyang Road Chaoyang District Beijing, PRC	Chinese
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Mr. He Dongdong (賀東東)	Room 1206, Building No. 30 POLY Tianyue Garden No. 18 Xinma Road Pazhou Village, Pazhou Street Haizhu District, Guangzhou PRC	Chinese
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Please refer to the section headed “Directors and Senior Management of the Successor Company” for further information with respect to our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE DE-SPAC TRANSACTION

PARTIES INVOLVED IN THE DE-SPAC TRANSACTION

Sole Sponsor

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street Central
Hong Kong

Sole Sponsor-Overall Coordinator

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street Central
Hong Kong

Legal Advisers to the Target Company

As to Hong Kong law and United States law

Davis Polk & Wardwell
10/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law

Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing
PRC

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE DE-SPAC TRANSACTION

Legal Advisers to Vision Deal

As to Hong Kong law and United States law

King & Wood Mallesons

13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

**Legal Advisers to the Sole Sponsor and
the Sole Sponsor-Overall Coordinator**

As to Hong Kong law and United States law

**Skadden, Arps, Slate, Meagher & Flom
and affiliates**

42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law

King & Wood Mallesons

17th Floor, One ICC
Shanghai ICC
999 Huaihai Middle Road
Shanghai
PRC

Reporting Accountant and Auditor

PricewaterhouseCoopers

*Certified Public Accountants
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central
Hong Kong

Industry Consultant

Frost & Sullivan Limited

Suite 3006, Two Exchange Square
8 Connaught Place
Central
Hong Kong

FORWARD-LOOKING STATEMENTS

We have included in this circular forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

Certain statements in this circular are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this circular), uncertainties and other factors some of which are beyond the Successor Group’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

The forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available about the businesses that the Successor Group operates. The risks, uncertainties and other factors, many of which are beyond its control, that could influence actual results include, but are not limited to:

- the Successor Group’s business and growth strategies and our ability to implement such strategies;
- the Successor Group’s ability to develop and manage our expanding operations;
- the Successor Group’s ability to control operating costs and expenses;
- competition for, among other things, consumer spending, merchants, capital, technology and skilled personnel;
- our ability to maintain and enhance the Successor Group’s brands;
- changes to regulatory and operating conditions in the industries in which the Successor Group operates; and
- all other risks and uncertainties described in the section headed “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to the intentions of Vision Deal or those of any of the Directors of Vision Deal are made as of the date of this circular. Any such intentions may change in light of future developments. All forward-looking statements in this circular are expressly qualified by reference to this cautionary statement.

LETTER FROM THE VISION DEAL BOARD

Vision Deal HK Acquisition Corp.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 7827)

(Warrant Code: 4827)

Executive Directors of Vision Deal:

Mr. Zhe WEI (*Chairman*)

Mr. Lin FENG (*Chief executive officer*)

Mr. Lishu LOU (*Chief strategy officer*)

Non-executive Directors of Vision Deal:

Mr. Juan Christian GRAF THUN-HOHENSTEIN

Mr. Shu Fun Francis Alvin LAI

Mr. Wai Hung CHEUNG

Independent non-executive Directors of Vision Deal:

Mr. Michael WARD

Mr. Shengwen RONG

Mr. Weiru CHEN

Mr. Shirley Ze YU

Registered Office:

71 Fort Street, PO Box 500

Grand Cayman

Cayman Islands

KY1-1106

Principal Place of Business in

Hong Kong:

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

[●], 2024

To the SPAC Shareholders

Dear Sir or Madam,

- (1) DE-SPAC TRANSACTION COMPRISING**
A. PIPE INVESTMENTS
B. SHARE REDEMPTION
C. TARGET CAPITAL RESTRUCTURING
D. SHARE TRANSFER
E. MERGER
F. REVERSE TAKEOVER INVOLVING A NEW LISTING
APPLICATION BY QUWAN HOLDING LIMITED
(2) INAPPLICABILITY OF THE CODES FOR DE-SPAC TRANSACTION
(3) PROPOSED ADOPTION OF NEW MEMORANDUM AND
ARTICLES OF ASSOCIATION
(4) WITHDRAWAL OF LISTING OF SPAC CLASS A SHARES
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

A. INTRODUCTION

Reference is made to the De-SPAC Announcement dated December 8, 2023 issued by Vision Deal in which Vision Deal announced that it had entered into (i) the PIPE Investment Agreements with Quwan Holding Limited (being the Target Company and the Successor Company upon completion of the De-SPAC Transaction) and the PIPE Investors in relation to the PIPE Investments, (ii) the Share Transfer Agreement with the Target Company and the Target Disposing Shareholders in relation to the Share Transfer, and (iii) the Business Combination Agreement with the Target Company and the Target Merger Sub (a wholly-owned subsidiary of the Target Company) in relation to the Merger.

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The purpose of this circular is to provide the Vision Deal Shareholders with, among other things, (i) further information on the De-SPAC Transaction (including the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger), the Target Group and the Target Capital Restructuring and other information as required to be disclosed under the Listing Rules; (ii) details of the exchange of SPAC Class A Shares and SPAC Listed Warrants for Successor Company Shares and Successor Company Warrants pursuant to the De-SPAC Transaction and the withdrawal of the listing of SPAC Class A Shares and SPAC Listed Warrants; (iii) details of the Redemption Right and the Appraisal Right and (iv) a notice of the EGM.

B. OVERVIEW OF THE DE-SPAC TRANSACTION

The De-SPAC Transaction will result in the merger of Vision Deal with the Target Group and the listing of the Target Company as the Successor Company on the Stock Exchange.

The Target Group is a leading interest-driven mobile social platform in China that endeavors to engage, link and connect Generation Z users. With its diversified product features and functions, the Target Group encourages relationship building and social interactions among its users who are primarily game lovers, by offering services and functions that improve gameplay experience. Through its voice-based and other real-time interactions and entertainment offerings, the Target Group further enhances the formation of social connections among its users. Further details of the Target Group are set out in “C. Information on the Target Group” below.

Vision Deal and the Target Company have entered into the PIPE Investment Agreements with the PIPE Investors. Pursuant to the PIPE Investment Agreements, the PIPE Investors agreed to subscribe for and Vision Deal agreed to issue to the PIPE Investors the PIPE Investment Shares as part of the De-SPAC Transaction. Pursuant to the De-SPAC Transaction, the PIPE Investment Shares will be issued to the PIPE Investors prior to the Share Transfer and the Merger. Therefore, the PIPE Investors are interested in the shares of the Target by participating in the Share Transfer and the Merger. The total funds to be raised from the PIPE Investors are approximately HK\$576 million (subject to adjustment to up to approximately HK\$610 million upon determination of final Negotiated Value of Target). See “F. PIPE Investments” below for further details.

As part of the Target Capital Restructuring, prior to the Effective Time and the Merger, the Target Company will allot and issue a number of fully paid Target Company Ordinary Shares and Target Company Preferred Shares at par value by way of capitalizing all or any part of such amount for the time being standing to the credit of the share premium account of the Target Company and will implement a redesignation and reclassification of its share capital to Ordinary Shares. See “I. Target Capital Restructuring” below for further details.

Prior to the completion of the Share Transfer, pursuant to the Vision Deal Articles, Vision Deal will redeem the SPAC Class A Shares from Redeeming SPAC Shareholders. Each Redeeming SPAC Share will be automatically canceled and cease to exist in exchange for the right to receive the Redemption Price. See “G. Share Redemption” below for further details.

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Vision Deal and the Target Company have entered into the Share Transfer Agreements with the Target Disposing Shareholders, pursuant to the terms of the Share Transfer Agreements, subsequent to the Target Capital Restructuring and effective as of the Effective Time, Vision Deal will acquire 35,520,546 shares of the Target Company from Target Disposing Shareholders, representing approximately 4.32% of the issued share capital of the Target Company for a total consideration of HK\$298 million. See “H. Share Transfer” below for further details.

Pursuant to the terms of the Business Combination Agreement, the De-SPAC Transaction will be effected through the merger of Vision Deal and the Target Merger Sub, following which the separate existence of the Target Merger Sub will cease and Vision Deal will continue as the surviving entity and become a direct, wholly-owned subsidiary of the Successor Company. Details of the Business Combination Agreement are set out in “J. The Business Combination Agreement” below.

Upon completion of the De-SPAC Transaction, (i) current SPAC Class A Shareholders (other than the Redeeming SPAC Shareholders and the Dissenting SPAC Shareholders) will become shareholders of the Successor Company together with the PIPE Investors, investors of the Permitted Equity Financing (if any), and the Target Remaining Shareholders, (ii) holders of the SPAC Warrants will become holders of the applicable Successor Company Warrants, (iii) listing status of Vision Deal will be withdrawn, and (iv) the Target Company will become the Successor Company, shares of which will be listed on the Stock Exchange. Details of the effect of the De-SPAC Transaction on the shareholdings in Vision Deal and the Successor Company are set out in “L. Effect of the De-SPAC Transaction on the Shareholdings in Vision Deal and the Successor Company” below.

The Cayman Companies Act provides for a right of the Dissenting SPAC Shareholders to be paid the fair value of their SPAC Shares. See “R. Appraisal Right of Dissenting SPAC Shareholders” below for further details.

The De-SPAC Transaction is conditional upon, (i) the completion of the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger, (ii) the withdrawal of listing of the SPAC Class A Shares, (iii) the adoption of the Private Company Memorandum and Articles by Vision Deal being approved by the SPAC Class A Shareholders at the EGM and (iv) the compliance with applicable Listing Rule requirements (including the requirement for the Successor Company to have a minimum number of 100 Professional Investors at the time of listing under Listing Rule 18B.65), unless a waiver from strict compliance with any of these requirements is granted by the Stock Exchange. The Promoters and their close associates and any SPAC Shareholders and their close associates who have a material interest in the De-SPAC Transaction will abstain from voting on the relevant resolutions as required by the Listing Rules. See “U. EGM and Voting” below for further details.

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C. INFORMATION ON THE TARGET GROUP

1. Principal business activities of the Target Group

The Target Company is an exempted company with limited liability company incorporated in the Cayman Islands on May 29, 2019 and has authorized share capital of US\$50,000 divided into 420,628,721 Ordinary Shares and 79,371,279 preferred shares, 28,163,933 of which are designated series angel preferred shares, 23,386,682 of which are designated series A preferred shares, 12,992,601 of which are designated series B preferred shares, and 5,197,041 of which are designated series B+ preferred shares, 9,631,022 of which are designated series C preferred shares. The Target Group is a leading interest-driven mobile social platform in the PRC that endeavors to engage, link and connect Generation Z users. The Target Group operates interest-driven, decentralized and voice-based mobile social platform in the PRC. With its diversified product features and functions, the Target Group encourages relationship building and social interactions among its users who are primarily game lovers, by offering services and functions that improve gameplay experience. Through its voice-based and other real-time interactions and entertainment offerings, the Target Group further enhances the formation of social connections among its users. The Target Group is the largest mobile voice-based social network platform in the PRC and the largest mobile gamer-based social network platform in the PRC, each in terms of revenue in 2022, according to Frost & Sullivan. Please refer to “Business of the Target Group” for more information.

2. Controlling Shareholders of the Target Company

Mr. Song, (i) through SK Family Trust, Future Exploration, Funplus and Vanker and (ii) by virtue of the Voting Proxy Agreements, controlled the voting rights of 75,489,822 shares of the Target Company, representing approximately 51.92% of the total issued share capital of the Target Company as at the date of this circular, among which, Mr. Song held approximately 36.42% of the total issued shares of the Target Company indirectly through SK Family Trust, Future Exploration, Funplus and Vanker. Funplus and Vanker held 35,219,799 Target Company Ordinary Shares and 17,723,079 Target Company Preferred Shares, respectively, representing approximately 24.23% and 12.19% of the total issued shares of the Target Company, respectively. Both of Funplus and Vanker are wholly owned by Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust. Mr. Song is the founder and settlor of the SK Family Trust and the beneficiaries of SK Family Trust are Mr. Song and Exploring Time Limited (wholly-owned by Mr. Song).

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In addition to the above, Mr. Song is also entitled to exercise the voting rights of an aggregate of 22,546,944 shares of the Target Company, representing 15.50% of the voting rights of the Target Company, pursuant to three voting proxy agreements (each a “Voting Proxy Agreement”, together, the “Voting Proxy Agreements”) dated September 23, 2021, entered into among Mr. Song and: (i) Mr. Chen Guangyao and Peerless Hero Limited (wholly owned by Mr. Chen Guangyao) as to the voting rights of 10,006,722 Ordinary Shares in the Target Company held by Peerless Hero Limited, representing 6.88% of the voting rights of Chen Guangyao as of the date of this circular; (ii) Mr. Du Guo and Yun Qu Limited (wholly owned by Mr. Du Guo) as to the voting rights of 7,549,852 Ordinary Shares in the Target Company held by Yun Qu Limited, representing 5.19% of the voting rights of the Target Company as of the date of this circular; and (iii) Mr. Qiu Zhizhao and Fiery Dragon Limited (wholly owned by Mr. Qiu Zhizhao) as to the voting rights of 4,990,370 Ordinary Shares (each of the 10,006,722 Ordinary Shares held by Peerless Hero Limited, 7,549,852 Ordinary Shares held by Yun Qu Limited and 4,990,370 Ordinary Shares held by Fiery Dragon Limited, the “Subject Shares”) in the Target Company held by Fiery Dragon Limited, representing 3.43% of the voting rights of the Target Company as of the date of this circular, respectively. Pursuant to the Voting Proxy Agreements, Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the Subject Shares. Each of the Voting Proxy Agreements will be terminated: (i) with the written consent of the parties therein; or (ii) when Mr. Chen Guangyao, Mr. Du Guo or Mr. Qiu Zhizhao (as the case may be) or his close associate ceases to hold any of the Subject Shares directly or indirectly. The primary reason for entering into the Voting Proxy Agreements are to affirm support and confidence of Mr. Chen Guangyao, Mr. Du Guo and Mr. Qiu Zhizhao as proxy granters in the direction and vision of Mr. Song as the founder of the Target Company to continuously manage the Group’s business and steer overall strategic planning, and to reflect the importance of Mr. Song’s leadership in the Target Group’s continued growth and development with stronger control.

Immediately upon completion of the De-SPAC Transaction and assuming that (i) the Target Capital Restructuring is completed, (ii) all SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,340,546 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, (v) there is no Permitted Equity Financing, Mr. Song, (i) through SK Family Trust, Future Exploration, Funplus and Vanker and (ii) by virtue of the Voting Proxy Agreements, will control the voting rights of 426,559,040 Successor Company Shares, representing approximately 48.79% of the total issued share capital of the Successor Company.

Please refer to “Share Capital” and “Directors and Senior Management of the Successor Company – Board of Directors – Executive Directors” for more information.

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3. Contractual Arrangements of the Target Company

The Target Group operates certain businesses that are subject to foreign investment restrictions under current PRC laws and regulations. To comply with the PRC laws and regulations, while availing itself of international capital markets and maintaining effective control over all of its operations, the Target Company entered into the Contractual Arrangements, which enable the results of operations, assets and liabilities of the Consolidated Affiliated Entities to be consolidated into the results of operations, assets and liabilities of the Target Company under the IFRS as if they are subsidiaries of the Target Company.

See “Contractual Arrangements of the Target Group” for more information on the Contractual Arrangements of the Target Company.

4. Financial information of the Target Group

Certain key financial information of the Target Group for the three financial years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023 are set out as below:

	For the year ended December 31,			For the six months	
	2020	2021	2022	ended June 30,	2023
				2022	2023
			(RMB'000)		
				(unaudited)	
Revenues	1,493,420	2,630,592	3,401,990	1,659,489	1,627,468
Cost of revenues	(522,201)	(1,124,798)	(1,559,517)	(761,899)	(734,280)
Gross profit	971,219	1,505,794	1,842,473	897,590	893,188
(Loss)/profit before income tax	(141,130)	(2,484,904)	577,948	329,379	201,593
(Loss)/profit for the year/period	(154,009)	(2,495,545)	509,253	289,443	180,596

Please refer to “Financial Information of the Target Group” and “Appendix I – Accountant’s Report of the Target Group” for more information.

5. Information about Target Merger Sub

Target Merger Sub is a newly incorporated Cayman Islands exempted company and a wholly-owned subsidiary of the Target Company. Target Merger Sub was incorporated solely for the purpose of effecting the Merger and has not carried on any activities other than those in connection with the Merger.

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6. Previous Listing Application of the Target Company

The Target Company has submitted its first listing application to the Stock Exchange on October 19, 2021 which has already lapsed. The Target Company has re-submitted a listing application on June 19, 2023 (the “**Previous Listing Application**”). As the Target pursues the listing by way of De-SPAC transaction involving Vision Deal, the Target Company has, with a view to continuing its listing application, concurrently withdrawn the Previous Listing Application and submitted a listing application in relation to the De-SPAC Transaction to the Stock Exchange pursuant to the term of the Business Combination Agreement. The Directors of the Target Company are not aware of any material matters that would materially adversely affect the Target Company’s suitability for the new listing application by the Successor Company and need to be brought to the attention of the Stock Exchange and the SFC with respect to the Previous Listing Application.

Based on the due diligence performed by the Sole Sponsor in the Previous Listing Application pursuant to relevant Listing Rules, nothing has come to the attention of the Sole Sponsor to disagree with the views of the Directors of the Target Company as stated above.

D. INFORMATION ON VISION DEAL

Vision Deal is a SPAC that does not have any operating business. It is newly formed on January 20, 2022 to effectuate a merger with one or more businesses in any business, industry or geographical region. Vision Deal’s business strategy is to generate attractive returns for the SPAC Shareholders by selecting a high-quality De-SPAC target. Vision Deal completed the SPAC IPO comprising 100,100,000 SPAC Class A Shares at an offer price of HK\$10.00 per SPAC Class A Share and 50,050,000 SPAC Listed Warrants on June 10, 2022.

Vision Deal has undertaken to publish the announcement and complete a De-SPAC transaction within 18 months and 30 months of the SPAC Listing Date, respectively, being December 9, 2023 and December 9, 2024, respectively, unless further extension of up to six months is approved by an ordinary resolution of the SPAC Class A Shareholders and granted by the Stock Exchange. Vision Deal has published its De-SPAC Transaction announcement on December 8, 2023.

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E. REASONS FOR THE DE-SPAC TRANSACTION

As stated in the Offering Circular, Vision Deal’s business strategy is to identify and complete a De-SPAC transaction with a high-quality company in China that either specializes in smart car technologies or possesses supply chain and cross-border e-commerce capabilities to benefit from domestic consumption upgrading trends. Vision Deal has taken into account the said business strategy and developed several general characteristics for evaluating prospective De-SPAC targets. Such business strategy has been taken into account by Vision Deal and adopted as one of the non-exhaustive criteria to be used when assessing the De-SPAC targets.

Since the listing of Vision Deal, Vision Deal has commenced to identify, select and evaluate De-SPAC targets from the pipeline of potential De-SPAC targets which are in line with the business strategy. Vision Deal, after conducting due diligence and sourcing exercise, has identified the Target Company which engages in the provision of online voice-based social platform, online music and entertainment service. The Target Company has been focusing on facilitating decentralized social interactions and has provided each user with equal opportunities to receive engagement and interact with other like-minded users across a diversified range of social and entertainment use cases. The Vision Deal management believes that as a leading internet driven model social platform in China, the Target Company’s principal business is coincided with the underlying business strategy of Vision Deal to identify De-SPAC target which possess the interchangeable ability in supply chain and cross-border e-commerce capability to benefit from domestic consumption upgrading trend.

Vision Deal believes primary objective is to generate attractive returns for the SPAC Shareholders by selecting a high-quality De-SPAC target, negotiating favorable acquisition terms at an attractive valuation, and improving the operating and financial performance of the Successor Company, the primary objective could be achieved by conducting the De-SPAC Transaction with the Target Company. This selection of the Target Company as the De-SPAC target to complete the De-SPAC Transaction therefore could achieve the objective of generating attractive returns for Vision Deal’s shareholders and to accomplish the announcement and completion of a De-SPAC Transaction within a shorter timeframe (i.e. within 18 months and 30 months of the SPAC Listing Date, respectively).

Given that the Target Company is a leading interest-driven mobile social platform in China, the management of Vision Deal believes it satisfies the foremost characteristics for evaluating a prospective De-SPAC target. It possesses a best-in-class business model with an established platform and brand, contributing to an addressable market. The TT Platform has been proven to be the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China in terms of revenues in 2022, according to Frost & Sullivan. The services offered by the Target Company are experiencing organic growth and consolidation opportunities to capitalize on favorable macroeconomic and sector tailwinds. As a consumer technology company, the Target Company is well-positioned to

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benefit from the trend of consumption upgrade in China. The Target Group’s integrated platform of mobile applications, TT Chat, facilitates social relationships among users by leveraging its intelligent matching capabilities, diversified social features and entertainment scenarios.

The Target Company provides an online destination for its users, including game lovers, to socialize and have fun together and addresses the varying social needs of its users, by helping them to find, connect, interact and have fun with their new friends. After evaluating the target’s business and the merits of the business combination, and considering the non-exhaustive guidelines, Vision Deal believes that the Target Company meets the business strategy of Vision Deal as disclosed in the Offering Circular under the section “Business – De-SPAC Transaction Criteria” for Vision Deal’s criteria in evaluating prospective De-SPAC targets and conducting the De-SPAC Transaction. Having evaluated a number of potential target companies, Vision Deal considers that the Target Company has favourable and suitable characteristics and that it would be in the interests of Vision Deal to enter into the De-SPAC Transaction with the Target Company for the following reasons:

- **Leading Interest-driven Mobile Social Platform:** The Target Group is the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China, each in terms of revenues for 2022, according to Frost & Sullivan. The Target Group’s integrated platform of mobile applications, TT Chat, facilitates social relationships among users through leveraging its intelligent matching capabilities, diversified social features and entertainment scenarios. Over the years, the Target Group has been focusing on facilitating decentralized social interactions and has provided each user with equal opportunities to receive engagement and interact with other like-minded users across a diversified range of social and entertainment use cases. Users initiate virtual chatrooms on the Target Group’s platform where multiple users can interact with each other through voice, text, virtual gifts, and a variety of other functions. These virtual chatrooms are welcomed by the Target Group’s users as a personal cyberspace to express themselves to those who share common interests and passion for games and other topics. On June 30, 2023, over 90% of the chatrooms on TT Chat had less than 10 users simultaneously in a chatroom, which creates a more interpersonally connected online social environment.
- **Large and Engaged User Community:** In the six months ended June 30, 2023, the average MAUs of the Target Group’s TT Chat platform was 12.6 million, and average MPUs of the Target Group’s TT Chat platform was 897.0 thousand. In 2020, 2021 and 2022, the Target Group’s users spent an average of approximately 156, 161 and 180 minutes in Target Group’s voice chatrooms on a daily basis, respectively. As of June 30, 2023, based on information available to the Target Group, over 90% of its user base was aged 30 or below. Over time, the Target Group has grown its platform to appeal to a user base with balanced gender distribution. Approximately 48.9% of its paying users as in June 2023 were female. The diversified content, gaming and audio entertainment offered by the Target Group’s TT Chat platform

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fulfills interest-driven social needs and is welcomed by users of different genders. The decentralized nature of social interactions that the Target Group promotes on its platform has also led to a more engaged user base that offers attractive long-term monetization potential in a cost effective way. In 2020, 2021, 2022 and the six months ended June 30, 2023, the Target Group’s daily average next day user retention ratio was 66.2%, 65.9%, 69.0% and 69.1%, respectively.

- **Diversified Product Features Bringing About Captivating User Experience:** The Target Group provides an online destination for its users, including game lovers, to socialize and have fun together and addresses the varying social needs of its users, by helping them to find, connect, interact and have fun with their new friends. The Target Group’s voice chatrooms are designed to facilitate both pre – and post-game social interactions and provide a virtual social environment for Target Group’s users to interact with each other in an immersive group setting. The Target Group has developed a diversified range of product features and functions to address the derivative social needs of users beyond the gaming context. These features and functions include interest-driven matching mechanisms, virtual gifting, moments, in-app casual social games, and other social entertainment scenarios facilitated by hosts on Target Group’s platform, such as online dating and online karaoke, which enhance the diversity and quality of user engagement, rather than just increasing the length of user time spent.
- **Solid Technological Infrastructure:** The Target Group’s ability to attract and serve a large and active user base is underpinned by its data analytics and technology infrastructure. Through years of development, the proprietary algorithms underlying its data analytics system has enabled the Target Group to improve the success rate of user matching and provide more personalized voice chat room recommendations which naturally leads to higher user engagement and satisfaction. In the six months ended June 30, 2023, the average MAUs of the Target Group’s TT Chat platform was 12.6 million, and average MPUs of the Target Group’s TT Chat platform was 897.0 thousand. The Target Group also adopts solid technologies to offer voice-based communications among users, delivering a satisfactory user experience. Target Group’s platform is highly scalable as Target Group can rapidly expand its network capacity on demand, which supports its geographic expansion and the rapid growth of its user base. The Target Group has also leveraged machine learning and artificial intelligence technologies to develop a proprietary automated system to facilitate content screening and monitoring to ensure the integrity of its content and platform.
- **Shared Community Value Resulting in Strong Monetization Potential:** The Target Group purposefully fosters a user community and a facilitating environment that drive like-minded users’ inherent desire to engage with each other, and to monetize the social relationships built and enhanced in its user community. The Target Group has good understanding of its users behavior in the community, which enable it to create, encourage and deepen social relationships among its users, which serves as the foundation of the Target Group’s ability to drive user spending. Sales

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of virtual items are seamlessly integrated with the social and entertainment features and functions on the Target Group’s platform, allowing users to express and differentiate themselves through virtual gifting. In the six months ended June 30, 2023, approximately 2.1 million users had sent virtual gifts to others, and approximately 2.8 million users had received gifts from others. The large number of users who had received and sent gifts demonstrates the multi-way interactions that the Target Group believes are unique to its decentralized approach to engage with Target Group’s user community. Although the Target Group is still in the early stages of monetization but it has already achieved rapid growth with its revenues increasing from RMB1,493.4 million in 2020 to RMB2,630.6 million in 2021, and further to RMB 3,402.0 million in 2022.

- **Professional and Experienced Leadership:** The Target Group’s platform was founded on its passion for games and bringing people together. The Target Group’s founder is an entrepreneur in the game industry with deep insight into the interests and needs of game lovers and Generation Z in China, who has led experienced senior management team of the Target Group to spearhead its rapid growth and expansion. The senior management team of the Target Group consists of industry veterans who have extensive experience in China’s game and mobile internet industries, who have previously worked for renowned internet, technology and social media companies such as Tencent (0700.HK) and JOYY (Nasdaq: YY) who has brought extensive product development and technology expertise to the Target Company. The management’s experience with first-hand market insights and strong execution capabilities have enabled the Target Company to solidify its market leadership and drive its continued growth.

Taken into account the aforementioned and the terms of the Business Combination Agreement, the PIPE Investments, the Share Transfer and other arrangements as set out below, the Vision Deal Directors (including the independent non-executive Directors of Vision Deal) consider that the terms of the De-SPAC Transaction are fair and reasonable and in the interests of the SPAC Shareholders as a whole.

F. PIPE INVESTMENTS

On December 8, 2023, Vision Deal entered into the PIPE Investment Agreements with the PIPE Investors and the Target pursuant to which the PIPE Investors have conditionally agreed to, by themselves or through their respective Qualified Investment Schemes, subscribe for, and Vision Deal has conditionally agreed to issue 57,620,000 PIPE Investment Shares (subject to adjustment to up to 61,020,000 PIPE Investment Shares upon determination of final Negotiated Value of Target) in an aggregate purchase price of approximately HK\$576 million (subject to adjustment to up to approximately HK\$610 million upon determination of final Negotiated Value of Target) at the price of HK\$10.0 per PIPE Investment Share. Vision Deal has reached an agreement with Taizhou TS First Fortune with respect to the aforementioned adjustment.

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1. Principal terms of the PIPE Investment Agreements

The principal terms of the PIPE Investment Agreements are set out below:

(a) Conditions precedent

The obligations of each PIPE Investor and the Target Company and/or Successor Company and/or Vision Deal (as applicable) to consummate the PIPE Investments pursuant to the relevant PIPE Investment Agreements are subject to the satisfaction of the following conditions (or if applicable, waived by the PIPE Investors and the Target Company and/or the Successor Company and/or Vision Deal (as applicable) in writing as applicable to the extent permitted by the applicable law):

(1) Conditions to obligations of the PIPE Investors (or their respective Qualified Investment Schemes, as applicable) and the Target Company and/or the Successor Company and/or Vision Deal:

- (i) all necessary approvals required to consummate the De-SPAC Transaction (including, but not limited to, the approval of the SPAC Shareholders and the approval granted by the Listing Committee of the Stock Exchange for the listing of the Successor Company) having been obtained and such approval and permission not having been withdrawn and all of the conditions precedent to the Share Transfer contemplated under the Share Transfer Agreements and all of the conditions precedent set forth in the Business Combination Agreement having been satisfied (or validly waived pursuant to the terms thereof) and the Share Transfer contemplated under the Share Transfer Agreements and the closing of the Merger will take place on the same date or one to two business day(s) after the completion of the PIPE Investments;
- (ii) no laws having been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the (i) PIPE Investment Agreements, the (ii) Share Transfer Agreements or the (iii) Business Combination Agreement and there having been no orders or injunctions from a court of competent jurisdiction in effect which preclude or prohibit consummation of such transactions.

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- (2) *Conditions to obligations of the PIPE Investors (or their respective Qualified Investment Schemes, as applicable):*
- (i) the representations and warranties made by Vision Deal and the Target Company in the respective PIPE Investment Agreements, without taking into consideration “materiality”, “in all material aspects”, “material adverse effect” or other similar language, being true and accurate in all respects at and as of the date of closing of the PIPE Investments (other than representations and warranties that speak as of an earlier date or a specific date, in which case they shall have been true and accurate in all respects as of such earlier date or such specific date), except to the extent that the failure of such representations and warranties to be so true and accurate would not reasonably be expected to prevent, materially delay, or materially impair the ability of Vision Deal or the Target Company (as applicable) to comply in all material respects with the terms of the respective PIPE Investment Agreements;
 - (ii) Vision Deal and the Target Company as of or before the date of closing of the PIPE Investments having performed, fulfilled and complied with all covenants, agreements and conditions required by the respective PIPE Investment Agreements to be performed, fulfilled or complied with, except where the failure of such performance, fulfilment or compliance would not or would not reasonably be expected to prevent, materially delay, or materially impair the ability of Vision Deal or the Target Company (as applicable) to consummate the closing of the PIPE Investments;
- (3) *Conditions to obligations of the Target Company and/or Successor Company and/or Vision Deal (as applicable):*
- (i) the representations and warranties made by the PIPE Investors in the respective PIPE Investment Agreements, without taking into consideration “materiality”, “in all material aspects”, “material adverse effect” or other similar language, being true and accurate in all respects at and as of the date of closing of the PIPE Investments (other than representations and warranties that speak as of an earlier date or a specified date, in which case they shall have been true and correct in all respects as of such earlier date or such specified date), except to the extent that the failure of such representations and warranties to be so true and accurate would not reasonably be expected to prevent, materially delay, or materially impair the ability of the respective PIPE Investor to comply in all material respects with the terms of the respective PIPE Investment Agreements; and

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- (ii) the PIPE Investors (or their respective Qualified Investment Schemes, as applicable) as of or before the date of closing of the PIPE Investments having performed, fulfilled and complied with all covenants, agreements and conditions required by the respective PIPE Investment Agreements to be performed, fulfilled or complied with, except where the failure of such performance, fulfilment or compliance would not or would not reasonably be expected to prevent, materially delay, or materially impair the ability of the PIPE Investors (or their respective Qualified Investment Schemes, as applicable) to consummate the closing of the PIPE Investments.

(b) Restrictions and lock-ups on PIPE Investors

Each PIPE Investor has agreed and undertook that except with the prior written consent of Vision Deal and the Target Company, the aggregate holding of each PIPE Investor and close associates in the total issued share capital of the Successor Company will be less than 10% (or such other percentage as provided in the Listing Rules from time to time for the definition of substantial shareholder). The PIPE Investors have agreed that if it noticed the aggregate holding of each PIPE Investor and close associates in the total issued share capital of the Successor Company has reached 10% or more (or such other percentage as provided in the Listing Rules from time to time for the definition of substantial shareholder or as provided by the Stock Exchange from time to time for the definition of public shareholder), the PIPE Investor will notify the Successor Company.

Each PIPE Investor has agreed that other than the respective PIPE Investment Agreements, each PIPE Investor (or their respective Qualified Investment Schemes, as applicable) and its respective close associates, directors, officers, employees or agents will not enter into any other arrangement or agreement, including any side letter, with Vision Deal, the Target Company, any Controlling Shareholder of the Target Company or any other member of the Target Group or their respective close associates, directors, officers, employees or agents in connection with the De-SPAC Transaction and the PIPE Investments.

Six PIPE Investors (comprising of, in aggregate, 21,440,000 PIPE Investment Shares (representing 37.21% of the PIPE Investments assuming full redemption of the SPAC Class A Shares)) have each agreed and undertook to Vision Deal and the Target Company that except with the prior written consent of Vision Deal and the Target Company, each PIPE Investor will not directly or indirectly during the six (6) month period after the Listing Date (the “**Lock-up Period**”) (i) sell any PIPE Investment Shares or any interest in any company or entity holding any PIPE Investment Shares in any way; (ii) allow itself to effect a change of control (as defined in the Takeovers Code) at the level of ultimate beneficial owner; or (iii) enter into any transaction that directly or

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indirectly has the same economic impact as any of the aforementioned transactions. However, the PIPE Investors will not be restricted from transferring all or part of their PIPE Investment Shares to any wholly-owned subsidiary of the PIPE Investors when the following conditions are met:

- (i) prior to the transfer, such wholly-owned subsidiary of the PIPE Investors shall make a written undertaking (addressed to Vision Deal and the Target Company in terms satisfactory to them) agreeing to, and the PIPE Investors shall undertake to procure such wholly-owned subsidiary to be bound by the obligations of the PIPE Investors under the PIPE Investment Agreements, including the restrictions imposed on the PIPE Investors under this “*Restrictions and lock-ups on PIPE Investors*” section, as if such wholly-owned subsidiary of the PIPE Investors itself is required to comply with such obligations and restrictions as a party of the PIPE Investment Agreement(s);
- (ii) such wholly-owned subsidiary of the PIPE Investors is deemed to have made the same acknowledgements, representations and warranties made by the PIPE Investors;
- (iii) the PIPE Investors and such wholly-owned subsidiary of the PIPE Investors shall be treated as being the investors holding all PIPE Investment Shares and shall jointly and severally bear all responsibilities and obligations imposed by the PIPE Investment Agreements;
- (iv) if at any time before the expiration of the Lock-up Period, such wholly-owned subsidiary of the PIPE Investors ceases to be or will no longer be a wholly-owned subsidiary of the PIPE Investors, it shall (and the PIPE Investors shall procure such subsidiary shall) immediately (and in any circumstances before ceasing to be a wholly-owned subsidiary of the PIPE Investors) transfer all of its PIPE Investment Shares to the PIPE Investors or another wholly-owned subsidiary of the PIPE Investors, which shall make and the PIPE Investors shall procure such subsidiary to make a written undertaking (addressed to and in favor of Vision Deal and the Target Company in terms satisfactory to them), agreeing to be bound by the obligations of the PIPE Investors under the PIPE Investment Agreements, including the restrictions imposed on the PIPE Investors under this “*Restrictions and lock-ups on PIPE Investors*” section, and making the same acknowledgements, representations and warranties as if such wholly-owned subsidiary itself is required to comply with such obligations and restrictions, and jointly and severally bear all responsibilities and obligations imposed by the PIPE Investment Agreements; and
- (v) such wholly-owned subsidiary of the PIPE Investors is (i) located outside the United States and (ii) purchasing the PIPE Investment Shares in offshore transactions in reliance on Regulation S of the U.S. Securities Act of 1933.

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The remaining fourteen PIPE Investors (comprising of, in aggregate, 36,180,000 PIPE Investment Shares (representing 62.79% of the PIPE Investments assuming full redemption of the SPAC Class A Shares)) are not subject to the above lock-ups restrictions. The Lock-up Period for PIPE Investors was determined through commercial negotiations involving Vision Deal, the Target Company, and the PIPE Investors. Several factors were taken into account, including the background of the PIPE Investment (such as the investment amount), investment sentiment, expected long-term growth prospects, and the expected investment return envisaged to be enjoyed by the PIPE Investors. Lock-up undertakings by pre-listing investors are not uncommon in traditional initial public offerings and certain PIPE Investors have therefore accepted the commercial term to be subject to a lock-up period based on arms-length negotiation.

The PIPE Investors have agreed that the PIPE Investor's holding in the Successor Company Shares is on a proprietary investment basis, and to, upon reasonable request by the Successor Company, provide reasonable evidence to the Successor Company showing that the PIPE Investor's holding of the Successor Company's share capital is on a proprietary investment basis.

(c) Closing

The PIPE Investors will, by themselves (or through their respective Qualified Investment Schemes, as applicable), subscribe for the PIPE Investment Shares, at such time and in such manner as shall be determined by Vision Deal and the Target Company. Prior to the Effective Time, the Share Transfer and the Merger, upon completion of the PIPE Investments, the PIPE Investors will receive the PIPE Investment Shares and shall become SPAC Class A Shareholders. Since the PIPE Investors will receive SPAC Class A Shares after the end of the redemption period, namely subsequent to the EGM to approve the De-SPAC Transaction, PIPE Investors will not be granted any Redemption Rights for the purpose of subscribing to PIPE Investment Shares.

(d) Termination

Each PIPE Investment Agreement will terminate upon the earliest to occur of:

- (i) the mutual written agreement of each of the parties to such PIPE Investment Agreements;
- (ii) such date and time as the Share Transfer Agreement and the Business Combination Agreement are validly terminated in accordance with its terms; and
- (iii) 30 days after the Longstop Date, if the closing of the relevant PIPE Investment has not occurred by such date other than a result of a breach of the relevant PIPE Investor's obligations under such PIPE Investment Agreement.

For the avoidance of doubt, the closing of the PIPE Investment Agreements are not inter-conditional on the closing of the other PIPE Investment Agreements, the termination of a PIPE Investment Agreement upon the occurrence of termination event itself will not affect the closing of the other PIPE Investment Agreements.

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2. PIPE Investment Amount

Details of the respective PIPE Investment Amount by each PIPE Investor are set out below:

PIPE Investors	PIPE Investment Amount (HK\$ million)			Number of PIPE Investment Shares			PIPE Investment Amount as to the Negotiated Value of Target (%)		
	0%	50%	100%	0%	50%	100%	0%	50%	100%
Redemption Rate (for illustrative purpose)	0%	50%	100%	0%	50%	100%	0%	50%	100%
Zheshang International Financial Holdings Co., Limited (浙商國際金融控股有限公司) (“ Zheshang International ”)		244.3			24,430,000		3.00	3.05	3.18
Orient Asset Management (Hong Kong) Limited (東方資產管理(香港)有限公司) (“ Orient Asset Management ”)		60.9			6,090,000		0.75	0.76	0.79
Guangdong Finance Investment International Co., Limited (粵財控股香港國際有限公司) (“ Guangdong Finance Investment International ”)		15			1,500,000		0.18	0.19	0.20
China Arbitrage Fund		2			200,000		0.02	0.02	0.03
△Taizhou TS First Fortune Enterprise Management Partnership (台州通盛時富企業管理合夥企業(有限合夥)) (“ Taizhou TS First Fortune ”)	79	70	45	7,900,000	7,000,000	4,500,000	0.97	0.87	0.59
△37 Starseek Co., Limited (“ 37 Starseek ”)		62.6			6,260,000		0.77	0.78	0.82
△Bluefocus International Limited (藍色光標國際傳播集團有限公司) (“ Bluefocus International ”)		30			3,000,000		0.37	0.37	0.39
△SensePower Management Limited (“ SensePower Management ”)		26.8			2,680,000		0.33	0.33	0.35
△Modern Leaves Limited (“ Modern Leaves ”)		30			3,000,000		0.37	0.37	0.39
Galaxy Link Developments Limited (“ Galaxy Link ”)		6.2			620,000		0.08	0.08	0.08
Admeliora Limited		5			500,000		0.06	0.06	0.07

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PIPE Investors	PIPE Investment Amount <i>(HK\$ million)</i>			Number of PIPE Investment Shares			PIPE Investment Amount as to the Negotiated Value of Target <i>(%)</i>		
Chinese Culture Investment (Beijing) Co., Ltd. (國文文化投資(北京)有限 公司) (“Chinese Culture Investment”)	3.5			350,000			0.04	0.04	0.05
#PIPE Individual Investors	44.9			4,490,000			0.55	0.56	0.58
Total	610.2	601.2	576.2	61,020,000	60,120,000	57,620,000	7.51	7.51	7.51

Note:

- (1) PIPE Investors (excluding PIPE Individual Investors) being subject to lock-up restrictions as set out under section “– 1. Principal terms of the PIPE Investment Agreements – (b) Restrictions and lock-ups on PIPE Investors” above are marked with “△”.
- (2) PIPE Individual Investor being subject to lock-up restrictions as set out under section “– 1. Principal terms of the PIPE Investment Agreements – (b) Restrictions and lock-ups on PIPE Investors” is marked with “#”. Among the PIPE Individual Investors, only Ms. Yu Su will be subject to such lock-up restrictions.

The PIPE Investment Amount for each PIPE Investment was determined after arm’s length negotiation between the parties to the respective PIPE Investment Agreements taking into account the effect of the De-SPAC Transaction on shareholdings in the Successor Company, the current development plan of the Target Company and its need for proceeds.

The PIPE Investment Amount is expected to be funded by the respective PIPE Investors by internal funds and/or external financing. At least three Business Days prior to the scheduled date of closing of the PIPE Investments, each PIPE Investor will deliver to Vision Deal its respective PIPE Investment Amount in Hong Kong dollars by wire transfer in immediately available clear funds without any deduction or set-off to the bank account specified by Vision Deal to be held in escrow until closing.

3. Total Funds to be Raised from Independent PIPE Investors

The total funds to be raised from the PIPE Investors are approximately HK\$576 million (subject to adjustment to up to approximately HK\$610 million upon determination of final Negotiated Value of Target).

As of the Latest Practicable Date, assuming a full redemption of the SPAC Class A Shares, the Negotiated Value of Target is approximately HK\$7,676 million. Any deviation from this assumption in the full redemption rate will affect the final Negotiated Value of Target upon completion of the De-SPAC Transaction and result in divergence of Negotiated Value of Target (the “**Divergence of Negotiated Value**”).

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Assuming that half or none of the SPAC Class A Shareholders elect to redeem their SPAC Class A Shares, the Negotiated Value of Target will be approximately HK\$8,008 million and HK\$8,130 million, respectively. Under the scenario of half redemption scenario and no redemption scenario, the minimum PIPE Investment Amount required to satisfy the minimum PIPE Investment percentage of 7.50% will be approximately HK\$601 million and HK\$610 million, respectively. Therefore there is a potential prerequisite increase in the funds of the PIPE Investment with reference to the ultimate Negotiated Value of Target (the “**Increment in Required PIPE Value**”) in case not all SPAC Class A Shareholders elect to redeem their SPAC Class A Shares. For illustrative purpose, in case of half redemption and no redemption scenario, the tentative PIPE Investment Amount of approximately HK\$576 million will increase by approximately HK\$25 million and HK\$34 million respectively.

With reference to the Increment in Required PIPE Value, Vision Deal has reached an agreement with Taizhou TS First Fortune to make additional PIPE Investment based on the Increment in Required PIPE Value. This additional investment will be made by Taizhou TS First Fortune using additional funding based on the agreed PIPE Investment increment mechanism (the “**PIPE Increment Mechanism**”). As stipulated under the PIPE Investment Agreement entered with the Target Company and Taizhou TS First Fortune, Taizhou TS First Fortune will subscribe for a minimum of 4,500,000 PIPE Investment Shares (with an aggregated minimum purchase price of approximately HK\$45 million) and up to 7,900,000 PIPE Investment Shares (with an aggregated maximum purchase price of approximately HK\$79 million), based on the PIPE Increment Mechanism. This represents a maximum additional purchase price of approximately HK\$34 million as stipulated under the PIPE Increment Mechanism. Under the PIPE Increment Mechanism, in addition to the fixed PIPE Investment Amount committed by Taizhou TS First Fortune, Taizhou TS First Fortune will make additional PIPE financing with reference to the actual Divergence of Negotiated Value (the “**Incremental PIPE Investment**”) positively correlated with the Increment in Required PIPE Value, approximately HK\$25 million and HK\$34 million under half redemption and full redemption scenario respectively. With the PIPE Increment Mechanism and the divergence multiplier agreed upon with Taizhou TS First Fortune and incorporated in the PIPE Investment Agreement, the minimum PIPE Investment Amount, under different redemption rates ranging from no redemption to full redemption, will be able to satisfy Rule 18B.41 of the Listing Rules. The Vision Deal Board and the Sole Sponsor are of the view that the Target Company has a fair market value exceeding the Benchmark Value as of the date of the De-SPAC Transaction taking into account, among others, the Negotiated Value of Target, which has been determined by negotiations with the PIPE Investors who have undertaken independent due diligence on the Target Company, and the Target Merger Total Equity Value, which has been determined with reference to the fund-raising history of the pre-listing investments of the Target including the approximate amount raised in each round of the pre-listing investment of the Target, which both provides support for the valuation of the Target Company and represents the fair market value of the Target Company. In particular, among such PIPE Investors, Zheshang International, Orient Asset Management, Guangdong Finance Investment International and China Arbitrage Fund satisfy the relevant “sophisticated investor” requirements under the Listing Rules as discussed in “– 5. *Information on the PIPE Investors*” below, whose investment amount in aggregate represents more than a majority (approximately 55.92%, 53.59% and 52.80% under the scenario of full redemption, half redemption and no redemption of the SPAC Class A Shares, respectively) of the PIPE Investment Amount.

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4. Basis of the Negotiated Value of Target

The Negotiated Value of Target, which represents the pre-money equity value of the Target Company in the De-SPAC Transaction for PIPE Investors, is HK\$7,676 million (assuming full redemption of the SPAC Class A Shares). It is calculated with reference to the Share Transfer Total Equity Value and the Target Merger Total Equity Value with respect to the corresponding percentage of shares of Successor Company through the De-SPAC Transaction. The PIPE Investors upon completion of the De-SPAC Transaction will hold approximately 7.24% (assuming full redemption of the SPAC Class A Shares) of the Successor Company Shares, which amounts to 63,340,546 Successor Company Shares (assuming full redemption of the SPAC Class A Shares).

By virtue of Share Transfer Total Equity Value which has been adopted in the Share Transfer, reflecting certain Target Disposing Shares acquired by Vision Deal through Share Transfer, which will subsequently be exchanged for Successor Company Shares at the Target Merger Total Equity Value upon Merger, the PIPE Investors are able to obtain the Target Company Shares at a lower valuation upon completion of Share Transfer and retain the total equity value in Vision Deal to receive shares of the Successor Company at the Target Merger Total Equity Value upon Merger. This differentiation in the Share Transfer consideration of HK\$298 million and the value of Target Disposing Shares of approximately HK\$355 million has resulted in the appreciation of the value of the Successor Company. The cash proceeds of HK\$298 million are paid to acquire Target Company Shares with a value of approximately HK\$355 million (based on the Target Merger Total Equity Value), which in turn gives the SPAC Shareholders (other than the Redeeming SPAC Shareholders and the Dissenting SPAC Shareholders) and PIPE Investors the right to receive approximately HK\$633 million (assuming full redemption of the SPAC Class A Shares) equity value of Successor Company Shares.

In order to reflect the Negotiated Value of Target, the cash proceeds raised from SPAC IPO which was the original cash assets of Vision Deal raised from SPAC IPO has been excluded for ascertaining the net indicative value of the Target in the De-SPAC Transaction as the cash proceeds are not relevant for the assessment and determination the value of the Target. Therefore, the net indicative pre-money valuation of the Target, representing the net effect of the actual investment valuation of the PIPE Investment is approximately HK\$7,676 million (assuming full redemption of the SPAC Class A Shares).

The Negotiated Value of Target was determined through arm’s length negotiations with the PIPE Investors (who have undertaken independent due diligence on the Target Company) with reference to factors outlined under the sections headed “*H. Share Transfer – 1. Principal terms of the Share Transfer Agreements – (b) Share Transfer consideration and basis of valuation of the Target Disposing Shares*”, “*J. The Business Combination Agreement – 2. Basis of valuation of the Merger*” and “*M. Valuations adopted for The De-SPAC Transaction*”. As the total funds to be raised from the PIPE Investors are approximately HK\$576 million (subject to adjustment to up to approximately HK\$610 million upon determination of final Negotiated Value of Target), representing equal to or more than 7.50% of the Negotiated Value of Target, the total funds to be raised from the PIPE Investors therefore satisfy the minimum independent third party investment requirement as required under Rule 18B.41 of the Listing Rules.

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5. Information on the PIPE Investors

(a) *Zheshang International*

Zheshang International is a limited liability company incorporated in Hong Kong and is licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. Zheshang International is wholly-owned by Zheshang Futures Co., Ltd. which is held by Zheshang Securities Co, Ltd (浙商證券股份有限公司) as to approximately 72.9%. Zheshang Securities Co, Ltd is listed on the Shanghai Stock Exchange (Stock Code: 601878) and had approximately HK\$103.7 billion of assets under management as of June 30, 2023.

(b) *Orient Asset Management*

Orient Asset Management is a subsidiary of Orient Finance Holdings (Hong Kong) Limited and is licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. Orient Finance Holdings (Hong Kong) Limited is a wholly-owned subsidiary of DFZQ (東方證券股份有限公司), which is listed on the Stock Exchange (Stock Code: 3958) and the Shanghai Stock Exchange (Stock Code: 600958). Orient Asset Management had approximately HK\$10.7 billion of assets under management as of June 30, 2023.

(c) *Guangdong Finance Investment International*

Guangdong Finance Investment International is a limited liability company incorporated in Hong Kong and primarily engaged in securities investment and funds investment. Guangdong Finance Investment International is wholly-owned by Guangdong Yuecai Investment Holdings Co., Ltd. (廣東粵財投資控股有限公司) (“**Guangdong Yuecai Investment**”) which is primarily engaged in trust finance, asset management, and financing guarantee and is held by the People’s Government of Guangdong Province (廣東省人民政府) as to approximately 94.6% and the Department of Finance of Guangdong Province (廣東省財政廳) as to approximately 5.4% as of September 30, 2023. Guangdong Yuecai Investment had over RMB100 billion of assets under management as of December 31, 2022.

(d) *China Arbitrage Fund*

China Arbitrage Fund is a fund established in the Cayman Islands with Shenyi Financial Advisor Ltd. as its fund manager. Shenyi Financial Advisor Ltd. is wholly-owned by Shanghai Shenyi Investment Corporation Limited (上海申毅投資股份有限公司) (“**Shanghai Shenyi Investment**”). Shanghai Shenyi Investment is registered as a private fund manager of the Asset Management Association of China, a financial advisor of the U.S. Securities and Exchange Commission in the US and a member of the Alternative Investment Management Association in China. Shanghai Shenyi Investment is held by Mr. Shen Yi (申毅) as to 60% and Mr. Zhu Wenzhong (朱文忠) as to 40%. Shanghai Shenyi Investment had approximately above HK\$8.79 billion of assets under management as of June 30, 2023.

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(e) Taizhou TS First Fortune

Taizhou TS First Fortune is a limited partnership established in the PRC, which is managed by its general partner, TS First Fortune Asset Management Co., Ltd. (上海通盛時富股權投資基金管理有限公司) (“**TS First Fortune**”). TS First Fortune is primarily engaged in direct funds, fund investments in mobile internet, e-commerce, internet media, rail rapid transit, new agriculture, consumer, healthcare technology sectors and private equity funds. TS First Fortune is held by TS First Fortune Asset Management Co., Ltd. (重慶通盛時富股權投資基金管理有限公司) (“**TS First Fortune Asset Management**”) as to 99% and Mr. Wang Qi (王祺) as to 1%. TS First Fortune Asset Management is primarily engaged in equity investment management and is held by Mr. Zhu Yang (朱陽) as to 55%. None of the other shareholders of TS First Fortune Asset Management hold 30% or more equity interests in TS First Fortune Asset Management. The limited partners of Taizhou TS First Fortune is Ms. Xu Pingping (許萍萍). Ms. Xu Pingping is an experienced investor who mainly engages in investments of scientific research, technology, software and information technology.

(f) 37 Starseek

37 Starseek is a limited liability company incorporated in the BVI and is principally engaged in the development, operation, distribution of mobile games and web games, as well as the provision of information services. The controlling shareholder of 37 Starseek is 37 Interactive Entertainment Network Technology Group Co., Ltd. (“**37 Interactive Entertainment**”), a company limited by shares established in the PRC and is listed on the Shenzhen Stock Exchange (Stock Code: 002555) and is primarily engaged in cultural and creative business including game development, game publishing and online game operation.

(g) Bluefocus International

Bluefocus International is a limited liability company incorporated in the Hong Kong. Bluefocus International is a wholly-owned subsidiary of BlueFocus Intelligent Communications Group Co., Ltd. (北京藍色光標數據科技股份有限公司) (“**BlueFocus Intelligent Communications**”), which is listed on the Shenzhen Stock Exchange (Stock Code: 300058) and is primarily engaged in full-service promotion, full-service advertising agency and meta-universe related business. None of the shareholders of BlueFocus Intelligent Communications hold 30% or more equity interests in BlueFocus Intelligent Communications.

(h) SensePower Management

SensePower Management was incorporated in the BVI and is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of SenseTime Group Inc. (“**SenseTime**”), a company whose shares are listed on the Stock Exchange (stock code: 0020), and the ultimate beneficial owner of which is an individual, Dr. Tang Xiao’ou, a professor at the Department of Information Engineering of the Chinese University of Hong Kong. SenseTime is a leading AI software company focused on creating a better AI-empowered future through innovation. With roots in the academic world, SenseTime offers and continuously

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improves industry-leading AI capabilities in universal multimodal and multi-task models, covering key fields across perception intelligence, natural language processing, decision intelligence, AI-enabled content generation, as well as key capabilities in AI chips, sensors, and computing infrastructure.

(i) *Modern Leaves*

Modern Leaves is a limited liability company established in the BVI and primarily engages in equity holding and investment. Modern Leaves is wholly-owned by Mr. Wang Yun'an (王雲安).

(j) *Galaxy Link*

Galaxy Link is a limited liability company incorporated in the BVI which is primarily engaged in investment. Galaxy Link is wholly-owned by Mr. Wang Peng (王鵬).

(k) *Admeliora Limited*

Admeliora Limited is a limited liability company incorporated in the BVI which is primarily engaged in investments. Admeliora Limited is wholly-owned by Mr. Lin Sunming (林孫明).

(l) *Chinese Culture Investment*

Chinese Culture Investment is a limited liability company incorporated in the PRC and is principally engaged in project investments, investment management, asset management and organizing cultural and artistic exchange activities. Chinese Culture Investment is held by Ms. Liu Qiugui (劉秋桂) as to 95%. None of the remaining shareholders of Chinese Culture Investment hold 30% or more equity interests in Chinese Culture Investment.

(m) *PIPE Individual Investors*

PIPE Individual Investors include the following individuals:

(a) *Ms. Yu Su (蘇渝)*

Ms. Yu Su is a financial investor with over 20 years of investment experience in shares, bonds, funds and trusts.

(b) *Mr. Yucheng Xiao (肖玉成)*

Mr. Yucheng Xiao is the founder and chairman of Shenzhen You Weier Technology Co., Ltd. (深圳優維爾科技有限公司).

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(c) *Ms. Lian Ye (葉蓮)*

Ms. Lian Ye is a certified public account in Virginia in the United States and has obtained a qualification certificate from the Asset Management Association of China. She has previously worked for PricewaterhouseCoopers and KPMG. Ms. Lian Ye has rich investment experience.

(d) *Mr. Xiaoyang Tai (泰曉揚)*

Mr. Xiaoyang Tai is a renowned artist with over 40 years of experience in ancient Chinese landscape painting.

(e) *Mr. Yonglei Shi (施永雷)*

Mr. Yonglei Shi is the founder and chairman of Shanghai Laiyifen Co. Ltd. (上海來伊份股份有限公司) (Shanghai Stock Exchange: 603777). He is an entrepreneur with more than 20 years of experience in snack food chain management.

(f) *Mr. Jinfeng Cui (崔錦鋒)*

Mr. Jinfeng Cui is currently an executive director of Wuhan Shanshui Private Equity Fund Co. Ltd. (武漢山水私募基金有限公司).

(g) *Mr. Tong Zhou (周桐)*

Mr. Tong Zhou is currently the deputy general manager of Wuxi Tianlian Chemical Co. Ltd. (無錫市天聯化工有限公司).

(h) *Mr. William Richard Vanbergen*

Mr. William Richard Vanbergen is the founder and executive director of a premium international education group. He is an entrepreneur with over 20 years of experience in international education in China.

As stipulated in the PIPE Agreements as an agreed commercial term, PIPE Investors may engage asset managers who are qualified domestic institutional investors or qualified investment enterprise as approved by the relevant authority, to subscribe for and hold the respective PIPE Investment Shares on behalf of the PIPE Investors. Under this contemplated QDII or QDLP arrangement, the relevant PIPE Investors, through the Qualified Investment Schemes, will continue to be entitled to all the rights as holders of the PIPE Investment Shares (and the Successor Company Shares upon completion of the De-SPAC Transaction). If the QDII arrangement materializes, further details will be provided in the circular of the De-SPAC Transaction.

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As at the date of this circular, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) each of the PIPE Investors are independent third parties to Vision Deal, the Target Company and their respective connected persons; (ii) each of the PIPE Investors satisfies the independence requirements as prescribed under Rule 18B.40 of the Listing Rules; (iii) each of the PIPE Investors is a Professional Investor; and (iv) Zheshang International, Orient Asset Management, Guangdong Finance Investment International and China Arbitrage Fund satisfy the investments from sophisticated investor requirements as prescribed by Guidance Letter HKEX-GL113-22 and have invested and committed an aggregate principal amount of HK\$322.2 million, representing more than 50% of the value of the aggregate principal amount of the entire PIPE Investment as required under Listing Rule 18B.42 and Guidance Letter GL113-22 (January 2022) (Updated in December 2022).

6. Reasons for the PIPE Investment

The Vision Deal Board considers that the PIPE Investment represents a good opportunity for Vision Deal to raise funds, given that (i) the PIPE Investment can provide immediate funding to enlarge and strengthen Vision Deal's capital base, (ii) provide support for the valuations of the Share Transfer and Merger and (iii) diversify the shareholders bases of the Successor Company, and (iv) provide an effective means in ensuring fairness and prevent manipulation in the De-SPAC Transaction, given that (a) the PIPE Investors are Professional Investors who have rich experience in commercial valuation, (b) professional team of the PIPE Investors is able to envisage the commercial viability of the principal business of the Target based on their expertise and superior industry knowledge and operational experience and (c) diversity of the investments and investment experience from PIPE Investors have demonstrated the investors' sufficient knowledge and expertise in the technology, media, and telecommunications field. Vision Deal is of the view that, leveraging on the PIPE Investors' investment experience, the PIPE Investment will further raise the profile of the Successor Company and to signify that such investors have confidence in the Successor Company's business and prospect.

Apart from the fund-raising activities mentioned in this circular (i.e. the PIPE Investment) and the SPAC IPO as referred in the Offering Circular, Vision Deal has not conducted any equity fund raising activities in the 12 months immediately preceding the date of this circular.

G. SHARE REDEMPTION

Prior to the implementation of the Share Transfer, pursuant to the Vision Deal Articles, Vision Deal will redeem the SPAC Class A Shares from Redeeming SPAC Shareholders. Each Redeeming SPAC Share will be automatically canceled and cease to exist in exchange for the right to receive the Redemption Price.

Prior to an EGM to approve the De-SPAC Transaction, pursuant to the Vision Deal Articles, Vision Deal will provide the SPAC Class A Shareholders with the opportunity to redeem all or a portion of their SPAC Class A Shares at a per-share price not less than HK\$10

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payable in cash, equal to the aggregate amount then on deposit in the Escrow Account calculated as at 2 Business Days immediately before to the EGM (including interest or other income earned on the funds held in the Escrow Account and not previously released to Vision Deal to pay its expenses or taxes), divided by the number of the then issued and outstanding SPAC Class A Shares, subject to the limitations and on the conditions described in the Offering Circular. In accordance with the Vision Deal Articles, the Redemption Price per share price will not be lower than HK\$10. Should the interest income be depleted by the time SPAC Class A Shareholders submit redemption requests, such Redeeming SPAC Shareholders may not be able to receive more than HK\$10.00 but only the Redemption Price of HK\$10.00 per SPAC Class A Share, which is the original amount of their investment. The amount in the Escrow Account is initially anticipated to be HK\$1,001,000,000, representing the issuance of 100,100,000 SPAC Class A Shares at a price of HK\$10.00 per SPAC Class A Share. On this basis, the Redemption Price in any case will not be less than HK\$10.00.

There is no limit on the number of SPAC Class A Shares which a SPAC Class A Shareholder (alone or together with their close associates) may elect to redeem. SPAC Class A Shareholders may elect to redeem their SPAC Class A Shares irrespective of whether they vote for or against the De-SPAC Transaction at the EGM.

The Election Period for the Share Redemption starts on the date of the notice of the EGM and ends on the date and time of commencement of the EGM. The payment of the Redemption Price to the Redeeming SPAC Shareholders will be completed within five Business Days following Closing.

A Share Redemption election will not be accepted unless the duly completed and executed Redemption Election Form is accompanied by the delivery of the share certificate(s) representing the relevant number of SPAC Class A Shares to the Hong Kong Share Registrar of Vision Deal by the end of the Election Period. The Redemption Election Form is dispatched to SPAC Class A Shareholders together with the notice of EGM and this circular.

Please refer to “Important Notice to SPAC Shareholders and Actions to be Taken – B. Vision Deal Redemption Right” for further details of the election procedures for the Share Redemption.

If the De-SPAC Transaction is not completed, Vision Deal will not redeem any SPAC Class A Shares and all Share Redemption requests will be canceled. Redeeming SPAC Shareholders are strongly recommended to vote FOR the resolution to be proposed at the EGM even if you choose to redeem all or some of SPAC Class A Shares.

Holders of the SPAC Warrants have no redemption rights with respect to their warrants. Each SPAC Warrant will be exchanged for one Successor Company Warrant upon Closing, which will be exercisable on a cashless basis for one Successor Company Share per Successor Company Warrant at the warrant exercise price of HK\$11.50, subject to the terms and conditions of the applicable Successor Company Warrant.

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Redeeming SPAC Shareholders who exercise their Redemption Right to redeem all of their holdings of SPAC Class A Shares will not be able to exercise their Appraisal Right. See “R. Appraisal Right of Dissenting SPAC Shareholders” below for details on the Appraisal Right.

H. SHARE TRANSFER

Prior to the completion of the Share Transfer, the Target Company will implement the Target Company Shares Conversion, pursuant to which, the Target Disposing Shares that were originally Target Company Preferred Shares will be converted into Target Company Ordinary Shares.

On December 8, 2023, Vision Deal and the Target Company have entered into the Share Transfer Agreements with the Target Disposing Shareholders set out below.

1. Principal terms of the Share Transfer Agreements

(a) *Subject Matter*

Pursuant to the Share Transfer Agreements, the Target Disposing Shareholders have agreed to sell and Vision Deal has agreed to acquire an aggregate of 6,286,210 Target Company Shares (35,520,546 Target Company Ordinary Shares after giving effect of the Target Capital Restructuring and the Target Company Shares Conversion), representing approximately 4.32% of the entire issued share capital of the Target Company as at the time of conducting the Share Transfer, at an aggregate consideration of HK\$298 million.

The details of the Target Disposing Shares to be acquired from the Target Disposing Shareholders by Vision Deal is set forth in the below table:

Name of Shareholders	Date of completion of last pre-listing investment	Number of Target Disposing Shares (prior to Target Capital Restructuring)	Number of Target Disposing Shares (upon completion of Target Capital Restructuring)	Consideration
Matrix Partners China VI Hong Kong Limited and its affiliates	December 10, 2020	1,462,706	8,265,093	HK\$ 66,000,000
Skycus China Fund L.P.	November 13, 2020	1,462,706	8,265,093	HK\$ 66,000,000
Dream League Limited	September 9, 2020	1,662,165	9,392,149	HK\$ 75,000,000
Image Frame Investment (HK) Limited	June 17, 2021	<u>1,698,633</u>	<u>9,598,211</u>	<u>HK\$ 91,000,000</u>
Total		<u>6,286,210</u>	<u>35,520,546</u>	<u>HK\$298,000,000</u>

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(b) Share Transfer consideration and basis of valuation of the Target Disposing Shares

The consideration of the Target Disposing Shares is HK\$298 million and it will be satisfied by primarily proceeds from the PIPE Investments and proceeds from the SPAC IPO (other than the amount paid to the Redeeming SPAC Shareholders and the Dissenting SPAC Shareholders).

For the avoidance of doubt, the proceeds from the PIPE Investments will be primarily utilized to satisfy the consideration of the Share Transfer. Considering that the consideration for the Target Disposing Shares is HK\$298 million, which is lower than the PIPE Investment Amount of approximately HK\$576 million (subject to adjustment to up to approximately HK\$610 million upon determination of final Negotiated Value of Target), the Share Transfer consideration will not outweigh the PIPE Investment Amount under all redemption scenarios. Therefore the funds in Escrow Account of Vision Deal, namely HK\$1,001,000,000, will be able to satisfy the redemption request of SPAC Class A Shareholders under all redemption scenarios, from the range of full redemption of the SPAC Class A Shares to no redemption of the SPAC Class A Shares. Please refer to “*F. Share Redemption*” for details of the redemption price and mechanism.

The Share Transfer Total Equity Value, which is approximately HK\$6,892 million, was determined through arm’s length negotiation with the Target Disposing Shareholders with reference to:

- (i) the Target Disposing Shareholders are selling their minority shareholding interest of approximately 4.32% in the Target Company to Vision Deal;
- (ii) the Target Disposing Shareholders’ investment background, including the timing of investments, the expected return on investment, internal policies adopted for investment as passive investors and the aggregate investment amount of the Target Disposing Shareholders;
- (iii) the commercial decision of the Target Disposing Shareholders to realize their equity interest for cash in order to meet their immediate financial needs;
- (iv) the willingness of the Target Disposing Shareholders to sell their Target Disposing Shares at a lower valuation in exchange for receiving immediate and ascertained cash as consideration; and
- (v) the absence of any lock-up restrictions on the Target Disposing Shares, which would otherwise be imposed on the Target Disposing Shares if the shares were not disposed.

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(c) *Conditions to closing*

The obligations of each Target Disposing Shareholder and Vision Deal to consummate the Share Transfer pursuant to the relevant Share Transfer Agreements are subject to the satisfaction of the following conditions (or if applicable, waived by the Target Disposing Shareholders and/or Vision Deal in writing as applicable to the extent permitted by applicable law):

- (1) *Conditions to obligations of the Target Disposing Shareholders and Vision Deal:*
- (i) no applicable laws or orders preclude or prohibit the consummation of the transactions contemplated in the Share Transfer Agreements;
 - (ii) the approvals of SPAC Shareholders required to consummate the De-SPAC Transaction have been obtained and such approvals remain valid and in full force;
 - (iii) the PIPE Investment Amount satisfies the required independent third party investment amount under Rule 18B.41 of the Listing Rules (or, in the event that a waiver from the Exchange allowing a lower independent third party investment amount is granted, the required amount and other conditions in such waiver);
 - (iv) all conditions to Closing in “*J. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (v) Conditions to Closing – (1) Conditions to obligations of all parties*” are satisfied; and
 - (v) the Merger is reasonably expected to consummate pursuant to the terms of the Business Combination Agreement.
- (2) *Conditions to obligations of Vision Deal:*
- (i) all the Target Disposing Shareholders’ obligations required under the Share Transfer Agreements to be performed by them as at or prior to the completion of the Share Transfer shall have been duly performed by the Target Disposing Shareholders in all material respects, unless the applicable obligation has a materiality or material adverse effect qualifier in which case it shall be duly performed in all respects (after taking into account the qualifier);
 - (ii) the fundamental representations and warranties that the Target Disposing Shareholders (A) are duly incorporated, validly existing and in good standing and (B) have all necessary authority and power to execute the Share Transfer Agreements being true and correct in all respects at and as of the signing date

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of the respective Share Transfer Agreements and the date of closing (other than representations and warranties that speak as of a specific date, in which case they shall have been true and correct in all respects as of such date);

- (iii) the other representations and warranties made by Target Disposing Shareholders in the respective Share Transfer Agreement, disregarding the materiality or material adverse effect qualifier and regardless of whether there are known risks, being true and correct in all material respects at and as of the signing date of the respective Share Transfer Agreements and the date of closing (other than (A) representations and warranties that speak as of a specific date, in which case they shall have been true and correct in all material respects as of such date; and (B) representations and warranties that are qualified by material adverse effect, in which case they shall be true and correct (after taking into effect the material adverse effect qualifier)); and
- (iv) Vision Deal having received a certificate signed by an authorized representative of each Target Disposing Shareholder certifying that the conditions set out in (i) to (iii) above have been fulfilled.

(3) *Conditions to obligations of Target Disposing Shareholders:*

- (i) all Vision Deal's obligations required under the Share Transfer Agreements to be performed by it as at or prior to the completion of the Share Transfer shall have been duly performed by Vision Deal in all material respects, unless the applicable obligation has a materiality or material adverse effect qualifier in which case it shall be duly performed in all respects (after taking into account the qualifier);
- (ii) the fundamental representations and warranties that Vision Deal (A) is duly incorporated, validly existing and in good standing and (B) has all necessary authority and power to execute the Share Transfer Agreements being true and correct in all respects at and as of the signing date of the respective Share Transfer Agreement and the date of closing (other than representations and warranties that speak as of a specific date, in which case they shall have been true and correct in all respects as of such date);
- (iii) the other representations and warranties made by Vision Deal in the respective Share Transfer Agreement, disregarding the materiality or material adverse effect qualifier and regardless of whether there are known risks, being true and correct in all material respects at and as of the signing date of the respective Share Transfer Agreements and the date of closing (other than (A) representations and warranties that speak as of a specific date, in which case they shall have been true and correct in all material respects as of such date);

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and (B) representations and warranties that are qualified by material adverse effect, in which case they shall be true and correct (after taking into account the material adverse effect qualifier)); and

- (iv) Target Disposing Shareholders having received a certificate signed by an authorized representative of Vision Deal certifying that the conditions set out in (i) to (iii) above have been fulfilled.

(d) Closing

Vision Deal will acquire the Target Disposing Shares at the Effective Time of the Merger, within five Business Days or at such time and in such manner as shall be determined by Vision Deal and the Target Disposing Shareholders after all the conditions precedent under the Share Transfer Agreement having been fulfilled or waived (as the case may be) by the parties of the Share Transfer Agreement. Share Transfer with all Target Disposing Shareholders shall be consummated concurrently.

Upon completion of the Share Transfer, Vision Deal will own the Target Disposing Shares, representing approximately 4.32% of the share capital of the Target Company and its results will be consolidated with the financial results of Vision Deal in accordance with the relevant accounting standards.

(e) Termination

The Share Transfer Agreements will terminate upon:

- (i) the mutual written agreement of the parties to terminate such Share Transfer Agreements;
- (ii) automatically upon the termination of the Business Combination Agreement;
- (iii) by Target Disposing Shareholders, if the required SPAC Shareholders' approvals have not been obtained in the EGM convened to approve the Share Transfer Agreements and the transaction agreements contemplated under the De-SPAC Transaction where SPAC Shareholders have voted;
- (iv) by written notice of any party to the Share Transfer Agreement, if by the Longstop Date, any condition to the closing of the Share Transfer under the Share Transfer Agreements set out in "*– (c) Conditions to closing*" above has not been satisfied or waived; however, such right to terminate may not be exercised by a party whose breach of any representations, warranties, undertakings or obligations under the Share Transfer Agreements is the material and immediate cause of failure to complete the closing of the Share Transfer as at the Longstop Date;

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- (v) by Vision Deal if Vision Deal has not breached its obligations under the Share Transfer Agreement in any material respects and the Target Disposing Shareholders have breached or failed to perform any of their representations, warranties or undertakings under the Share Transfer Agreement in any material aspects, which breach and failure to perform (a) would result in the failure of a condition set out in “– (c) *Conditions to closing*” above to be satisfied and (b) is not cured by the Target Disposing Shareholders within 15 days upon receipt of the written notice of the breach and failure to perform by Vision Deal and (c) has not been waived by Vision Deal; and
- (vi) by the Target Disposing Shareholders if Target Disposing Shareholders have not breached their obligations under the Share Transfer Agreement in any material respects and Vision Deal has breached or failed to perform any of its representations, warranties or undertakings under the Share Transfer Agreement in any material aspects, which breach or failure to perform (a) would result in the failure of a condition set out in “– (c) *Conditions to closing*” above to be satisfied and (b) is not being cured by Vision Deal within 15 days upon receipt of the written notice of the breach and failure to perform by the Target Disposing Shareholders and (c) has not been waived by the Target Disposing Shareholders.

2. Reasons for the Share Transfer

The Target Disposing Shareholders include Dream League Limited, which holds Series Angel Preferred Shares, and Matrix Partners, Skycus China Fund L.P. and Image Frame Investment (HK) Limited which hold series A, series B or series C preferred shares. The Target Disposing Shareholders made their initial investment in the Target Company at a lower subscription valuation during early stages and they are selling a minority shareholding in the Target Company based on their expected annual return rate. Target Disposing Shareholders holding series A to C preferred shares are professional investment institutions and generally, their expected annual return rate can vary and often falls within a broad range, influenced by factors like the stage of the investment, industry dynamics, general economic conditions and the specific terms of the deal. The Target Disposing Shareholders did not disclose to the Target Company their respective ranges of annual return rate with respect to their pre-listing investment in Target Company. Nevertheless, for reference purpose, certain Target Disposing Shareholders and the Target Company did reach certain agreement on a specified annual return rate of the investment amount in the event that the redemption rights of the investors are triggered. Instead of retaining such shares in the Successor Company upon listing, the Target Disposing Shareholders have decided to dispose of their Target Disposing Shares through the Share Transfer. This will allow them to realize the equity value of their Target Shares to be disposed of in the form of immediate and ascertained return as at the time of the completion of the Share Transfer instead of future annual return rate subject to future operation return, performance and prospect of the Successor Company, risks and uncertainties regarding the growth of the industry which the Target is operating in and the impact of future economic conditions on the Target Company subsequent to lock-up period. See section under “*K. Other Arrangements – 4. Target Shareholders Lock-up Undertakings*”.

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The Share Transfer is a means for the Target Disposing Shareholders to divest and obtain a fixed and ascertained return on their investment immediately upon completion of De-SPAC Transaction. This is a crucial commercial factor being taken into account by the Target Disposing Shareholders for accepting a lower valuation as compared to the Target Merger Total Equity Value considering the growth of industry and the level of demand and market acceptance of the Successor Company that could impact their annual return rate subsequent to the lock-up period if they are not able to sell their shares at the envisaged return level to public investors. Notwithstanding the Share Transfer Total Equity Value is lower than the Target Merger Total Equity Value, the valuation is sufficient to obtain a premium and is an accepted level as financial investment for them with ascertained fixed and prompt return needing not to consider the future uncertainty in macroeconomic environment.

Therefore, the Share Transfer is favorable and beneficial to both the Target Disposing Shareholders and the Target Remaining Shareholders. The value of Target Disposing Shares held by Target Disposing Shareholders is reflecting the realizing portion of disposing share interest for immediate return of their shares for disposal, meanwhile the Target Remaining Shares held by the Target Remaining Shareholders mainly reflected by the Merger consideration with reference to the dilution impact for the purpose of effectuating the Merger. As professional and institutional investors who were early financing providers of the Target Company, after disposing the portion of equity interest in the Target Company, those portions of disposing shares will no longer imposing further lock-up restrictions upon Merger. The lock-up period for Target Disposing Shareholders was agreed upon following commercial negotiations between the Target Company and the Target Disposing Shareholder. Whilst the Target Disposing Shareholders have been given the opportunity to sell a portion of their shareholdings as an immediate exit to realize returns on their investments, the Target Disposing Shareholders agreed to give a lock-up undertaking with respect to the remaining portions of their shareholding as an expression of their confidence in the long-term value and prospect of the Target Company. The Target Disposing Shareholders considered that the giving of a lock-up undertaking by pre-listing investors is not uncommon in a traditional IPO and believed that this is a commercial term acceptable to them. Therefore, they have chosen to receive cash consideration at a different valuation, taking into account their envisaged annual return rate and the macroeconomic environment, as compared to the Merger.

From the perspective of the PIPE Investors and the SPAC Shareholders (other than the Redeeming SPAC Shareholders), the decision of the Target Disposing Shareholders to sell their shares at a different valuation is a commercial decision that benefits the PIPE Investors and the SPAC Shareholders. This valuation takes into consideration various factors such as the financial, operational and trading position, earnings, prospects, assets, and liabilities of the entire Target Group. These are ordinary parameters that investors consider when making investment decisions based on their business acumen.

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3. Information of the Target Disposing Shareholders

Set out below is a description of the Target Disposing Shareholders:

Matrix Partners

Matrix Partners V

Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P. are exempted limited partnerships organized and existing under the laws of the Cayman Islands. The general partner of both Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P. is Matrix China Management V, L.P.. As of the Latest Practicable Date, Matrix Partners China V, L.P. has 52 limited partners and Matrix Partners China V-A, L.P. has 72 limited partners. The general partner of Matrix China Management V, L.P. is Matrix China V GP GP, Ltd. (“**Matrix Partners V**”). David Su, Ho Kee Harry Man and Xiaoning Liu are directors of Matrix China V GP GP, Ltd. and are deemed to have shared investment voting power over the shares held by Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P.. After due enquiry and to the best knowledge of the Directors of the Target Company, each of David Su, Ho Kee Harry Man and Xiaoning Liu, the limited partners of Matrix Partners China V, L.P., Matrix Partners China V-A, L.P. and their ultimate beneficial owners are Independent Third Parties, and no one holds more than one third of the economic interest of Matrix Partners China V, L.P. or Matrix Partners China V-A, L.P..

Matrix Partners VI

Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P., are exempted limited partnerships organized and existing under the laws of the Cayman Islands. The general partner of both Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P. is Matrix China Management VI, L.P. As of the Latest Practicable Date, Matrix Partners China VI, L.P. has 55 limited partners and Matrix Partners China VI-A, L.P. has 75 limited partners. The general partner of Matrix China Management VI, L.P. is Matrix China VI GP GP, Ltd. (“**Matrix Partners VI**”). David Su, Ho Kee Harry Man and Xiaoning Liu are directors of Matrix China VI GP GP, Ltd. and are deemed to have shared investment voting power over the shares held by Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P. After due enquiry and to the best knowledge of the Directors of the Target Company, each of David Su, Ho Kee Harry Man and Xiaoning Liu, the limited partners of Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P. and their ultimate beneficial owners are Independent Third Parties, and no one holds more than one third of the economic interest of Matrix Partners China VI, L.P. or Matrix Partners China VI-A, L.P.. Matrix Partners V and Matrix Partners VI are venture capital funds with a primary purpose of making investments in the PRC, mainly focusing on companies in the advanced technology, mobile Internet, healthcare and consumer sectors, including Shoucheng Holdings Limited (HKEX: 697) and Genor Biopharma Holdings Limited (HKEX: 6998).

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Skycus China Fund, L.P.

Skycus China Fund, L.P. is a limited partnership established in the Cayman Islands. Skycus China Fund, L.P. is managed by its general partner, Parallel Universes Asset Management Limited, which is ultimately controlled by Eric Li. To the best knowledge of the Directors of the Target Company, Skycus China Fund, L.P. has more than 20 limited partners, none of which holds more than one third of the interest in Skycus China Fund, L.P.. Skycus China Fund, L.P. focuses on investment opportunities being created in emerging industries driven by innovations, and traditional industries being transformed and upgraded. Skycus China Fund, L.P. intends to primarily invest in strategic emerging industries (including telecommunication, media and technology, culture, sports and grand health industries), covering growth-stage and mature-stage portfolios, and in leading enterprises with a vision to collectively lead or participate in depth in the integration and expansion of industry value chain. Skycus China Fund, L.P.’s investments in TMT industry include Waterdrop Inc. (NYSE: WDH), Dingdong (Cayman) Ltd (NYSE: DDL), etc.

Dream League Limited

Dream League Limited is a limited liability company incorporated in the BVI. Dream League Limited holds 10,440,854 series angel preferred shares of the Target Company. Mr. Song Guowen, Mr. Song’s brother, holds 51.02% of the shares in Dream League Limited. Therefore, Song Guowen is deemed to be interested in the Shares held by Dream League Limited. The remaining shareholding interest of Dream League Limited is held as to 19.59% by Chen Fangping, 20.41% by Zhu Lin, and 8.98% by Zhang Dongmei. Zhang Dongmei is the spouse of Mr. Lyu Shaoyu, an executive Director and chief financial officer of the Target Company. Each of Chen Fangping and Zhu Lin is an Independent Third Party.

Image Frame Investment (HK) Limited

Image Frame Investment (HK) Limited is a limited liability company incorporated in Hong Kong. Image Frame Investment (HK) Limited holds 5,095,898 series C preferred shares of the Target Company and is ultimately controlled by Tencent Holdings Limited (“**Tencent Holdings**”), a company listed on the Main Board of the Stock Exchange (HKEX: 700). Tencent Holdings is one of the leading providers of Internet value-added services in China, including communications and social games, digital content, advertising, fintech and business services.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the transferors and their ultimate beneficial owners (if applicable) are independent third parties of Vision Deal and its connected persons.

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I. TARGET CAPITAL RESTRUCTURING

1. Target Capital Restructuring

Prior to the Effective Time and the Merger, the Target Company will implement the following transactions and restructuring in the order set out below (collectively, the “**Target Capital Restructuring**”):

- (a) the Target Company will allot and issue a number of fully paid Target Company Ordinary Shares and Target Company Preferred Shares at par value by way of capitalizing all or any part of any amount for the time being standing to the credit of the share premium account of the Target Company, on a pro rata basis to all Target Shareholders that registered on the register of members of the Target Company (the “**Capitalization Issue**”), such that immediately after the Capitalization Issue, the share capital of the Target Company (on an outstanding share basis) will consist of such number of Target Company Shares equal to the quotient obtained by the Target Merger Total Equity Value by HK\$10.00;
- (b) the exercise price and number of underlying shares of Existing Target Company Option shall be adjusted pursuant to the terms and conditions of the Target Company ESOP in connection with the Capitalization Issue;
- (c) the Target Company will implement a redesignation and reclassification of its share capital (the “**Share Reclassification**”), effective as of the Effective Time, such that all of the issued and unissued Preferred Shares be re-classified and re-designated as Ordinary Shares on a 1:1 basis; and
- (d) the Target Company Articles will be amended and restated and replaced in its entirety with the Successor Company Articles upon the Effective Time.

Upon the Effective Time, each Target Company Preferred Share then issued and outstanding (including those allotted and issued per paragraph (a) above) will cease to exist and convert into a number of validly issued and fully paid Target Company Ordinary Shares pursuant to the Target Company Articles.

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J. THE BUSINESS COMBINATION AGREEMENT

On December 8, 2023, Vision Deal, the Target and the Target Merger Sub entered into the Business Combination Agreement pursuant to which the Target Merger Sub will merge with and into Vision Deal with reference to the fair target valuation prior to the De-SPAC Transaction of HK\$8,215 million. Following the Merger, the separate corporate existence of Target Merger Sub shall cease and the Target Merger Sub will be struck off the Cayman Registrar, Vision Deal shall continue as the surviving company following the Merger as a wholly owned subsidiary of the Successor Company.

1. Principal terms of the Business Combination Agreement

The principal terms of the Business Combination Agreement are set out below:

(i) *Date*

December 8, 2023

(ii) *Parties*

(i) Vision Deal;

(ii) The Target; and

(iii) The Target Merger Sub (each, a “**Merger Party**” and together, the “**Merger Parties**”)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Target Company and the Target Merger Sub and their ultimate beneficial owners are independent third parties of Vision Deal and its connected persons.

(iii) *Merger*

The Merger will be implemented after which Vision Deal will become a direct, wholly-owned subsidiary of the Successor Company and in consideration therefore, the SPAC Shareholders (other than the Redeeming SPAC Shareholders and the Dissenting SPAC Shareholders) will become shareholders of the Successor Company upon Closing.

The detailed steps of the Merger are set out below:

(i) Subsequent to the completion of the PIPE Investments, the Capitalization Issue, and promptly on not later than 10:00 p.m. (Hong Kong time) on the Unconditional Date, Vision Deal and Target Merger Sub will execute and cause to be filed with the Cayman Registrar the Plan of Merger;

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- (ii) at the Effective Time, (1) the Target Merger Sub will merge with and into Vision Deal, following which the separate existence of Target Merger Sub will cease and Vision Deal will continue as the surviving entity after the Merger and become a direct, wholly-owned subsidiary of the Successor Company and (2) the Vision Deal Articles will be amended and restated and replaced in its entirety with a set of memorandum and articles of association in agreed form between the Target Company and Vision Deal, being the Private Company Memorandum and Articles;
- (iii) at the Effective Time, all the property, rights, privileges, agreements, powers and franchises, debts, liabilities, duties and obligations of Target Merger Sub and Vision Deal will become that of Vision Deal's as the surviving entity, being a direct, wholly-owned subsidiary of the Successor Company;
- (iv) at the Effective Time, Vision Deal will surrender for cancellation for nil consideration, and the Successor Company will cancel, the Target Disposing Shares; and
- (v) immediately following the Effective Time, the sole issued and outstanding ordinary share of Target Merger Sub will be converted into one ordinary share of Vision Deal as the surviving entity, issued in the name of the Successor Company.

(iv) Merger consideration

- (i) *SPAC Class B Shareholders' interest in the Successor Company.* At the Effective Time, each SPAC Class B Share held by the Promoters which are issued and outstanding will automatically cease to exist and will be converted into one fully paid SPAC Class A Share in accordance with the terms of the Vision Deal Articles (such automatic conversion, the "**SPAC Class B Conversion**") and upon the SPAC Class B Conversion, all of the SPAC Class B Shares will no longer be issued and outstanding. By virtue of the Merger, each SPAC Class A Share issued in connection with the SPAC Class B Conversion will be automatically canceled and cease to exist in exchange for the right to receive one newly issued Successor Company Ordinary Share.

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- (ii) *SPAC Class A Shareholders’ interest in the Successor Company.* By virtue of the Merger, each SPAC Class A Share (excluding the SPAC Class A Shares issued in connection with the SPAC Class B Conversion, the Redeeming SPAC Shares and the Dissenting SPAC Shares) that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for the right to receive “N” newly issued Successor Company Ordinary Share, with “N” being calculated pursuant to the formula below:

$N = \text{Ratio attributable to beneficially owned Target Disposing Shares} \textit{ plus}$
Ratio attributable to Merger consideration, where:

- (1) Ratio attributable to beneficially owned Target Disposing Shares equals (A) number of Target Disposing Shares after giving effect of the Capitalization Issue *divided* by (B) total number of De-SPAC Participating Shares; and
- (2) Ratio attributable to Merger consideration equals (A) (total number of De-SPAC Participating Shares) *minus* (Share Transfer consideration *divided* by 10), *divided* by (B) total number of De-SPAC Participating Shares

Notes:

1. The number of Target Disposing Shares after giving effect to Capitalization Issue equals to 35,520,546 shares.
2. Share Transfer consideration is HK\$298 million.
3. The total number of De-SPAC Participating Shares will not be confirmed until the end of the redemption period, namely the end on the date and time of commencement of the EGM to approve the De-SPAC Transaction

Please see below the impact on N under different scenarios for redemption of SPAC Class A Shares. N will be a number that is higher than 1 in any event.

	Full Redemption ^{Note 1}	Half Redemption	No Redemption
N	1.0993	1.0519	1.0355

Note 1

Assuming full redemption of the SPAC Class A Shares, only PIPE Investors will receive the Merger consideration. Thus the N newly issued Successor Company Ordinary Shares will only be applicable to the PIPE Investors.

When determining the Merger consideration, the remaining cash available to Vision Deal after the Share Transfer, as well as the value of the Target Disposing Shares acquired by Vision Deal as part of the De- SPAC Transaction has been taken into account. For details regarding the differentiation in the

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Share Transfer consideration of HK\$298 million and the value of approximately HK\$355 million for the Target Disposing Shares to ascertain the Merger consideration, please refer to “*F. PIPE Investments – 4. Basis of the Negotiated Value of Target*” for details of the Share Transfer impacts on the determination of the Merger consideration.

According to the formula specified in the Business Combination Agreement, in the event of a half redemption or no redemption of the SPAC Class A Shares, the SPAC Class A Shareholders will receive 52,597,415 Successor Company Shares and 103,654,038 Successor Company Shares respectively, representing approximately 5.67% and approximately 10.60% of the total Successor Company Shares. For the avoidance of doubt, no Successor Company Shares will be issued to SPAC Class A Shareholders under the full redemption of the SPAC Class A Shares scenario.

Please see below the details of the newly issued Successor Company Ordinary Shares by the Successor Company as Merger consideration to the SPAC Class A Shareholders and PIPE Investors based on the formula under different redemption of SPAC Class A Shares scenarios:

	Full Redemption		Half Redemption		No Redemption	
	SPAC Class A Shareholders	PIPE Investors	SPAC Class A Shareholders	PIPE Investors	SPAC Class A Shareholders	PIPE Investors
Merger consideration attributable to beneficially owned Target Disposing Shares	N/A	35,520,546	16,128,108	19,392,438	22,068,065	13,452,481
Merger consideration attributable to Merger consideration	N/A	27,820,000	36,469,307	43,850,693	81,585,973	49,734,027
Total number of Successor Company Shares	N/A	63,340,546	52,597,415	63,243,131	103,654,038	63,186,508

Please refer to “*L. Effect of the De-SPAC Transaction on the Shareholdings in Vision Deal and the Successor Company*” below for details of the Merger consideration received by the SPAC Class A Shareholders and PIPE Investors of the De-SPAC Transaction.

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- (iii) *SPAC Warrants*. Immediately following the Effective Time, by virtue of the Merger, (i) each SPAC Listed Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for one Successor Company Listed Warrant; and (ii) each SPAC Promoter Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for one Successor Company Promoter Warrant.

- (iv) *Dissenting SPAC Shares*. Each Dissenting SPAC Share issued and outstanding immediately prior to the Effective Time held by a Dissenting SPAC Shareholder will be automatically canceled and cease to exist and will thereafter represent only the right to be paid the fair value of such Dissenting SPAC Share and such other rights as are granted by the Cayman Companies Act, or (unless and until such Dissenting SPAC Shareholder fails to perfect or withdraws or otherwise loses his, her or its Appraisal Right under the Cayman Companies Act) one newly issued Successor Company Share. Further details of the rights of the Dissenting SPAC Shareholders and the prescribed statutory procedure are set out in “*R. Appraisal Right of Dissenting SPAC Shareholders*” below and will be set out in the Circular.

Please refer to “*L. Effect of the De-SPAC Transaction on the Shareholdings in Vision Deal and the Successor Company*” for details of the shareholding impact of the De-SPAC Transaction on the shareholders of Vision Deal and the Target Company.

(v) ***Conditions to Closing***

(1) *Conditions to obligations of all parties:*

The obligations of the Merger Parties to complete the De-SPAC Transaction are subject to the satisfaction of the following conditions:

- (i) no law or governmental order being in force prohibiting the completion of the Merger;

- (ii) the required SPAC Shareholders’ approval having been obtained and the approval remains valid and in full force;

- (iii) the required Target Shareholders’ approval having been obtained and the approval remains valid and in full force;

- (iv) the PIPE Investment Amount satisfies the required independent third party investment amount under Rule 18B.41 of the Listing Rules (or, in the event that a waiver from the Exchange allowing a lower independent third party investment amount is granted, the required amount and other conditions in such waiver);

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- (v) approval from the Stock Exchange in accordance with Listing Rule 18B.35 of the Listing Rules regarding the initial listing application submitted by the Successor Company with regards to the transactions contemplated under the Business Combination Agreement having been obtained, and the Successor Company meeting all new and continuing listing requirements as defined in Listing Rule 18B.36; and
- (vi) filing with the China Securities Regulatory Commission having been completed.

(2) *Conditions to obligations of Vision Deal:*

The obligations of the Vision Deal to complete the De-SPAC Transaction are subject to the satisfaction of the following additional conditions (or if waived by Vision Deal at its discretion):

- (i) all the Target Company's obligations under the Business Combination Agreement required to be performed by it as at or prior to the Closing shall have been duly performed by the Target Company in all material respects, unless the applicable obligation has a materiality qualifier in which case it shall be duly performed in all respects (after taking into account the qualifier);
- (ii) all fundamental representations and warranties of the Target Company being true and accurate in all aspects as at the date of the Business Combination Agreement and the date of Closing (except for representation and warranties that speak as at a specific date, in which case such representations and warranties need only to be true and correct as at such date);
- (iii) all other representations and warranties of the Target Company being true and accurate in all material aspects as at the date of the Business Combination Agreement and the date of Closing (except for (A) representation and warranties that speak as at a specific date, in which case such representations and warranties need only to be true and accurate as at such date, and (B) representation and warranties that has a material adverse effect qualifier, in which case such representations and warranties need to be true and accurate (after taking into account the material adverse effect qualifier)); and
- (iv) the Target Company having delivered to Vision Deal a certificate signed by an authorized representative of the Target Company certifying that the conditions set out in (i) through (iii) above have been fulfilled.

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(3) *Conditions to obligations of the Target Company:*

The obligations of the Target Company to complete the De-SPAC Transaction are subject to the satisfaction of the following additional conditions (or if waived by Target Company at its discretion):

- (i) all the Vision Deal's obligations under the Business Combination Agreement required to be performed by it as at or prior to the Closing shall have been duly performed by Vision Deal in all material respects, unless the applicable obligation has a materiality qualifier in which case it shall be duly performed in all respects (after taking into account the qualifier);
- (ii) all fundamental representations and warranties of Vision Deal being true and correct in all aspects as at the date of the Business Combination Agreement and the date of Closing (except for representation and warranties that speak as at a specific date, in which case such representations and warranties need only to be true and accurate as at such date);
- (iii) all other representations and warranties of Vision Deal being true and correct in all material aspects as at the date of the Business Combination Agreement and the date of Closing (except for (A) representation and warranties that speak as at a specific date, in which case such representations and warranties need only to be true and accurate as at such date, and (B) representation and warranties that has a material adverse effect qualifier, in which case such representations and warranties need to be true and correct (after taking into account the material adverse effect qualifier));
- (iv) available cash being no less than HK\$600,000,000;
- (v) the date of Closing being no later than the Longstop Date;
- (vi) the total number of Successor Company Shares which may be issued upon exercise of Successor Company Warrants, outstanding options under Target Company ESOP and Earn-out Rights under the Successor Company Unlisted Warrants will be in compliance Rule 15.02(1) of the Listing Rules; and
- (vii) Vision Deal having delivered to the Target Company a certificate signed by an authorized representative of Vision Deal certifying that the conditions set out in (i) through (v) above have been fulfilled.

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(vi) Termination

The Business Combination Agreement may be terminated prior to the Closing only as follows:

- (i) by written agreement of all Merger Parties;
- (ii) by written notice of any Merger Party to the other Merger Parties, if the transactions contemplated under the Business Combination Agreement have not closed as at the Longstop Date; however, if the breach of any representations and warranties, undertakings or obligations under the Business Combination Agreement by any Merger Parties or its associates is the material and immediate cause of failure to complete Closing as at the Longstop Date, such Merging Party shall not be entitled to terminate the Business Combination Agreement;
- (iii) by the Target Company if the Target Company has not breached the Business Combination Agreement in any material aspects and Vision Deal has breached or fails to perform any of its representations, warranties or undertakings under the Business Combination Agreement in any material aspects, which breach and failure to perform (a) would result in the failure of a condition set out in “– (v) *Conditions to Closing*” above to be satisfied and (b) cannot be cured or has not been cured by Vision Deal within 15 days upon its receipt of the written notice of the breach and failure to perform and (c) has not been waived by the Target Company;
- (iv) by Vision Deal if Vision Deal has not breached the Business Combination Agreement in any material aspects and the Target Company has breached or fails to perform any of its representations, warranties or undertakings under the Business Combination Agreement in any material aspects, which breach and failure to perform (a) would result the failure of a condition set out in “– (v) *Conditions to Closing*” above not to be met, (b) cannot be cured or has not been cured by the Target Company within 15 days upon its receipt of the written notice of the breach and failure to perform and (c) has not been waived by Vision Deal;
- (v) by the Target Company if the required SPAC Shareholders’ approval fails to be obtained on the EGM where the SPAC Shareholders have voted on the applicable matters; or
- (vi) by Vision Deal if the required Target Shareholders’ approval fails to be obtained on the shareholders meeting of the Target Company where the shareholders of the Target Company have voted on the applicable matters.

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Upon termination of the Business Combination Agreement, such agreement will become void and have no effect and the De-SPAC Transaction will not proceed, except that certain surviving provisions will survive termination.

(vii) Closing

Closing will occur upon completion of the transactions contemplated to take place upon the Effective Time, including, but not limited to the transactions set out in “– (iv) Merger consideration” above. Subject to the satisfaction (or if applicable and permitted by law, waiver) of the Conditions, it is currently expected that Closing will take place in the first quarter of 2024.

2. Basis of valuation of the Merger

The Target Merger Total Equity Value, which is HK\$8,215 million, was determined through arm’s length negotiation with the PIPE Investors (who have undertaken independent due diligence on the Target Company) with reference to:

- (i) **Most recent round of pre-listing investment:** The Target Company raised an aggregate of US\$45 million from experienced investors in the most recent round of pre-listing investment in 2021. The Target Company’s post-money valuation after this round of investment was approximately US\$1,045 million, representing approximately HK\$8,088 million. The Target Merger Total Equity Value represents an approximately 1.57% increase from such valuation.
- (ii) **Business development and performance after the most recent round of pre-listing investment:** The Target Group has demonstrated significant growth in recent years. In 2020, 2021 and 2022, the Target Group’s average monthly paying users were approximately 643.9 thousand, 965.6 thousand and 1,000.3 thousand, respectively, representing paying ratio of approximately 5.3%, 5.7% and 7.2%, respectively. In 2022, approximately 3.7 million users had sent virtual gifts to others and approximately 5.3 million users had received gifts from others. The large number of users who had received and sent gifts demonstrates the multi-way interactions that the Target Group believes are unique to its decentralized approach to engage with Target Group’s user community. Although the Target Group is still in the early stages of monetization, it has already achieved rapid growth with its revenues increasing from approximately RMB1,493.4 million in 2020 to approximately RMB2,630.6 million in 2021, and further to approximately RMB3,402.0 million in 2022.
- (iii) **Business prospects:** The Target Group is the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China, each in terms of revenues in 2022, according to Frost & Sullivan. The Target Group’s integrated platform of mobile applications, TT Chat, facilitates social relationships among users through leveraging its intelligent matching capabilities,

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diversified social features and entertainment scenarios. Over the years, the Target Group has been focusing on facilitating decentralized social interactions and has provided each user with equal opportunities to receive engagement and interact with other like-minded users across a diversified range of social and entertainment use cases. Users initiate virtual chatrooms on the Target Group’s platform where multiple users can interact with each other through voice, text, virtual gifts, and a variety of other functions. These virtual chatrooms are welcomed by the Target Group’s users as a personal cyberspace to express themselves to those who share common interests and passion for games and other topics. On June 30, 2023, over 90% of the chatrooms on TT Chat had less than 10 users simultaneously in a chatroom, which creates a interpersonally connected online social environment.

3. Board of Directors of the Successor Company

Immediately after the Effective Time, the board of Directors of the Successor Company is expected to comprise seven Directors, as follows:

- (i) three executive Directors designated by the Target Company, who will be Mr. Song Ke, Mr. Chen Guangyao and Mr. Lyu Shaoyu;
- (ii) one non-executive Director designated by Vision Deal, who will be Mr. Wei Zhe; and
- (iii) three independent non-executive Directors, who will be Mr. Mak Yau Kee Adrian, Ms. Wang Yuxiao and Mr. He Dongdong.

K. OTHER ARRANGEMENTS

On December 8, 2023, Vision Deal, the Target and the Target Merger Sub entered into the Business Combination Agreement pursuant to which the Target Merger Sub will merge with and into Vision Deal with reference to the fair target valuation prior to the De-SPAC Transaction of HK\$8,215 million. Following the Merger, the separate corporate existence of Target Merger Sub shall cease and the Target Merger Sub will be struck off the Cayman Registrar, Vision Deal shall continue as the surviving company following the Merger as a wholly owned subsidiary of the Successor Company.

1. Permitted Equity Financing

From the date of the Business Combination Agreement until the Listing Date (the “**Pre-Closing Period**”), Vision Deal and the Target Company may execute one or more permitted equity subscription agreements in substantially the same form as the PIPE Investment Agreements with one or more investors that would constitute a Permitted Equity Financing (if

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any); provided that unless otherwise agreed by Vision Deal and the Target Company in writing, no such permitted equity subscription agreement shall provide for the issuance of any equity securities other than SPAC Class A Shares. Details of any Permitted Equity Financing will be announced by Vision Deal.

Each of Vision Deal and the Target Company has agreed to use its commercially reasonable efforts to cooperate with each other in connection with the arrangement of any Permitted Equity Financing as may be reasonably requested by each other.

2. Earn-out Rights

Pursuant to the Business Combination Agreement, the Target Company will grant earn-out rights in the form of warrants to the Earn-out Participants, pursuant to which the warrants will enable the Earn-out Participants to subscribe, after the completion of the De-SPAC Transaction, up to 87,434,500 new Successor Company Shares (assuming that (i) the Target Capital Restructuring is completed, (ii) all SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,340,546 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, and (v) there is no Permitted Equity Financing) or up to 97,784,500 new Successor Company Shares (assuming that (i) the Target Capital Restructuring is completed, (ii) no SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,186,508 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, and (v) there is no Permitted Equity Financing) based upon share price performance of the Successor Company and adjusted net profit performance of the Successor Company after completion of the De-SPAC Transaction. The number of Maximum Issuable Earn-out Shares represents 10% of the total number of shares that the Successor Company had in issue as at Listing Date.

The grant of Earn-out Rights is one of the major terms under the De-SPAC Transaction designed to incentivize the Target Company with key performance indicators. It encourages the Earn-out Participants to maintain the continuous development of the Target Group and lead the Target Group for its ongoing business growth following the De-SPAC Transaction, and assures confidence to SPAC investors for the performance of the Target Company with stable management team after the De-SPAC Transaction.

The Share Price Earn-out Right will be triggered when the volume weighted average price of the Successor Company Shares (calculated based on the daily quotation sheets of the Stock Exchange) equals or exceeds a price representing a 50% increase, 100% increase, 150% increase and 200% increase per share respectively of the per share closing price of the Successor Company Shares as at the Listing Date in any 25 trading days within any 35-trading day period commencing one month after Closing and ending on the fifth anniversary of the Closing and during the aforementioned 35-trading day period as a whole (each, a “**Share Price Earn-out Event**”). The Successor Company may issue up to 87,434,500 new Successor Company Shares (assuming that (i) the Target Capital Restructuring is completed, (ii) all SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders

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exercise their Appraisal Right; (iv) 63,340,546 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, and (v) there is no Permitted Equity Financing) or up to 97,784,500 Successor Company Shares (assuming that (i) the Target Capital Restructuring is completed, (ii) no SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,186,508 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, and (v) there is no Permitted Equity Financing) upon the exercise of the Successor Company Unlisted Warrant based on the Share Price Earn-out Event when the Share Price Earn-out Events are triggered and the Earn-out Participants will be entitled to receive one-fourth of the Share Price Issuable Earn-out Shares whenever the Share Price Earn-out Event for the first 50% increase and an additional 50% increase is being triggered. For avoidance of doubt, the Earn-out Participants will only be entitled to receive the Share Price Issuable Earn-out Shares once when each Share Price Earn-out Event is being triggered.

The Net Profit Earn-out Right will be triggered when (i) the net profit from the Successor Company’s audited financial statement, adding back certain non-recurring items, comprising (a) share-based compensation expenses, (b) fair value changes on the Successor Company Warrants, (c) impairment loss of intangible assets (including goodwill), (d) expenses in connection with the Listing application and (e) non-operating expenses in connection with the De-SPAC Transaction (the “**Adjusted Net Profit**”), achieves not less than RMB800 million for the year ending December 31, 2024, (ii) the Adjusted Net Profit from the Successor Company’s audited financial statement achieves not less than RMB920 million for the year ending December 31, 2025 or if the Net Profit Earn-out Event has not been triggered in 2024, the Adjusted Net Profit from the Successor Company’s audited financial statement achieves an aggregate sum of not less than RMB1,720 million for the years ending December 31, 2024 and 2025, and (iii) the Adjusted Net Profit from the Successor Company’s audited financial statement achieves not less than RMB1,058 million for the year ending December 31, 2026 or if the Net Profit Earn-out Events have not been triggered in 2024 and 2025, the Adjusted Net Profit from the Successor Company’s audited financial statement achieves an aggregate sum of not less than RMB2,778 million for the years ending December 31, 2024, 2025 and 2026 (each, a “**Net Profit Earn-out Event**”) within three fiscal years after Closing. The Successor Company may issue up to 87,434,500 new Successor Company Shares (assuming that (i) the Target Capital Restructuring is completed, (ii) all SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,340,546 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, and (v) there is no Permitted Equity Financing) or up to 97,784,500 Successor Company Shares (assuming that (i) the Target Capital Restructuring is completed, (ii) no SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,186,508 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, and (v) there is no Permitted Equity Financing). Upon exercise of the Successor Company Listed Warrant based on the Net Profit Earn-out Event when the Net Profit Earn-out Events are triggered and the Earn-out Participants will be entitled to receive one-third of the Net Profit Issuable Earn-out Shares upon exercise of the Successor Company Unlisted Warrant whenever the Net Profit Earn-out Event based on the single year Adjusted Net Profit is being triggered. The Earn-out

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Participants will be entitled to receive two-third of the Net Profit Issuable Earn-out Shares upon exercise of the Successor Company Unlisted Warrant when the Net Profit Earn-out Event has not been triggered in 2024 and the Adjusted Net Profit from the Successor Company’s audited financial statement achieves an aggregate sum of RMB1,720 million for the years ending December 31, 2024 and 2025 and the Earn-out Participants will be entitled to receive all of the Net Profit Issuable Earn-out Shares upon exercise of the Successor Company Unlisted Warrant when the Net Profit Earn-out Events have not been triggered in 2024 and 2025, and the Adjusted Net Profit from the Successor Company’s audited financial statement achieves an aggregate sum of RMB2,778 million for the years ending December 31, 2024, 2025 and 2026.

The Maximum Issuable Earn-out Shares for Share Price Earn-out Right and Net Profit Earn-out Right are 87,434,500 Successor Company Shares and 87,434,500 Successor Company Shares, respectively (assuming that (i) the Target Capital Restructuring is completed, (ii) all SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,340,546 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, and (v) there is no Permitted Equity Financing) or 97,784,500 Successor Company Shares and 97,784,500 Successor Company Shares, respectively (assuming that (i) the Target Capital Restructuring is completed, (ii) no SPAC Class A Shareholders exercise their Redemption Right, (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,186,508 Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements, and (v) there is no Permitted Equity Financing). Both Share Price Earn-out Right and Net Profit Earn-out Right are subject to the Maximum Issuable Earn-out Shares under a Mixed Pool mechanism which the Successor Company will adopt, such that the Share Price Issuable Earn-out Shares and the Net Profit Issuable Earn-out Shares issued upon triggering of the Share Price Earn-out Events and the Net Profit Earn-out Events will be drawn from the same pool (the “**Mixed Pool**”), which consists of maximum of 87,434,500 Successor Company Shares (assuming full redemption of the SPAC Class A Shares) or up to 97,784,500 Successor Company Shares (assuming no redemption of the SPAC Class A Shares) which represents 10% of total number of Successor Company Shares as at the Listing Date.

Details of the Maximum Issuable Earn-out Shares based upon the Share Price Earn-out Event and Net Profit Earn-out Event under the Mixed Pool mechanism is listed as below:

	Number of Successor Full Redemption	Company Shares No Redemption
Maximum Issuable Earn-out Shares (assuming there is no Permitted Equity Financing)		
for Share Price Earn-out Right	87,434,500	97,784,500
for Net Profit Earn-out Right	87,434,500	97,784,500

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	Number of Successor Full Redemption	Company Shares No Redemption
Maximum Issuable Earn-out Shares under the Mixed Pool (assuming there is no Permitted Equity Financing)	87,434,500	97,784,500

The Successor Company Unlisted Warrants will be issued to Quwan EOR Limited held by a Earn-out Trust set up by Mr. Song, and the beneficiaries of the Earn-out Trust will be all the Earn-out Participants. Upon exercise of the Earn-out Rights, the Issuable Earn-out Shares will be issued to Quwan EOR Limited held by Earn-out Trust for the benefits of the Earn-out Participants. The voting rights of the Issuable Earn-out Shares held by Quwan EOR Limited will be exercised by Quwan EOR Limited as the registered shareholder, and the voting instruction will be given by Mr. Song as settlor of the Earn-out Trust to Quwan EOR Limited. Such trust arrangement was set up for the purpose of facilitating the ease of management of the interests of the Earn-out Participants and achieving administrative convenience, such that the Successor Company is only required to issue Successor Company Shares to a single entity whenever the Share Price Earn-out Right or the Net Profit Earn-out Right is triggered. The applicable requirements under Chapter 15 of the Listing Rules will be complied in respect of the Successor Company Unlisted Warrants.

The table below sets forth the identities and positions of the Earn-out Participants and their respective percentage of interest as beneficiaries under the Earn-out Trust:

Name of the Earn-out Participants	Position in the Target Group	Percentage of interest as beneficiaries under the Earn-out Trust
Mr. Song	Chairman of the board, executive director and chief executive officer	50%
Chen Guangyao	Executive director and senior vice president	20%
Lyu Shaoyu	Executive director, chief financial officer and joint company secretary	15%
Xie Rui	Chief technology officer	15%
Total		100%

The Earn-out Rights are subject to approval by ordinary resolution at the EGM of the SPAC Shareholders convened to approve the De-SPAC Transaction.

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The Earn-out Rights will be cancelled and become void if the De-SPAC Transaction is not completed.

3. Promoters Lock-up Undertakings

Concurrently with the execution of the Business Combination Agreement, each of the Promoters has provided a lock-up undertaking to Vision Deal, the Target Company, the Promoters and other parties named therein (the “**Promoters Lock-up Undertakings**”), pursuant to which, among other things, and subject to the terms and conditions set forth therein, each of the Promoters has agreed (a) not to transfer the Successor Company Shares held by such Promoter for a period of twelve months from the Unconditional Date, and (b) to unconditionally and irrevocably waive their Appraisal Right pursuant to the Cayman Companies Act in respect to all SPAC Shares held by such Promoter with respect to the Merger.

As explained in “J. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (iv) Merger consideration” above, immediately following the Effective Time, each SPAC Promoter Warrant will be automatically canceled and cease to exist in exchange for one Successor Company Promoter Warrant (subject to adjustment as explained below).

4. Target Shareholders Lock-up Undertakings

The Target Shareholders (each a “**Target Shareholder**”) (other than the Controlling Shareholders) will enter into a deed of lock-up undertaking prior to the completion of the De-SPAC Transaction in favour of the Target Company and the Sole Sponsor, pursuant to which, among other things, and subject to the terms and conditions set forth therein, each Target Shareholder (other than the Controlling Shareholders) has agreed not to transfer or in any way dispose of any securities of the Successor Company beneficially owned by such Target Shareholder for a period of six months (for Target Shareholders other than Controlling Shareholder) from the Listing Date (save and except only in respect of 3W Global Fund, the lock-up securities shall refer to two-third of the Successor Company Shares held by it following completion of the De-SPAC Transaction).

Immediately upon completion of the De-SPAC Transaction, 3W Global Fund will hold 12,812,973 Successor Company Shares, representing:

- (a) approximately 1.31% of the voting rights of the Successor Company (assuming that (i) the Target Capital Restructuring is completed; (ii) no SPAC Class A Shareholders exercise their Redemption Right with respect to their SPAC Class A Shares; (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,186,508 Successor Company Shares (subject to adjustments) are issued to the PIPE Investors pursuant to the PIPE Investment Agreements and (v) there is no Permitted Equity Financing), or

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- (b) approximately 1.47% of the voting rights of the Successor Company (assuming that (i) the Target Capital Restructuring is completed; (ii) all SPAC Class A Shareholders exercise their Redemption Right and/or Appraisal Right with respect to their SPAC Class A Shares; (iii) 63,340,546 Successor Company Shares (subject to adjustments) are issued to the PIPE Investors pursuant to the PIPE Investment Agreements and (iv) there is no Permitted Equity Financing).

The Controlling Shareholders will enter into a deed of undertaking in favour of the Target Company, the Sole Sponsor and other Target Shareholders, pursuant to which among other things, and subject to the terms and conditions set forth therein, the Controlling Shareholders have agreed not to transfer or in any way dispose of any securities of the Successor Company beneficially owned by the Controlling Shareholders for a period of twelve months from the Listing Date.

5. Successor Company Listed Warrant Instrument

Prior to the Unconditional Date, the Target Company will approve and adopt the listed warrant instrument (the “**Successor Company Listed Warrant Instrument**”), to take effect immediately prior to the Merger and containing the terms and conditions of the Successor Company Listed Warrants, which are substantially similar as the terms and conditions of the SPAC Listed Warrants under the SPAC Listed Warrant Instrument, subject to necessary changes required by the Business Combination Agreement and the transactions contemplated thereunder. Details of the terms and conditions of the Successor Company Listed Warrants are set out in “Appendix VIII – Summary of the Terms of the Successor Company Listed Warrants”.

6. Successor Company Promoter Warrant Agreement

Prior to the Unconditional Date, the Target Company, the Promoters and certain other parties named therein entered into a warrant agreement (the “**Successor Company Promoter Warrant Agreement**”), to take effect immediately prior to the Merger and containing the terms and conditions of the Successor Company Promoter Warrants, which are substantially the same as the terms and conditions of the SPAC Promoter Warrants under the SPAC Promoter Warrant Agreement, subject to necessary changes required by the Business Combination Agreement and the transactions contemplated thereunder.

The terms of the Successor Company Promoter Warrants are identical to those of the Successor Company Listed Warrants, including with respect to the warrant exercise and redemption provisions, except that the Successor Company Promoter Warrants (i) will not be listed, and (ii) are not exercisable until 12 months after the date of Closing as required by the Listing Rules. Further, the Promoters will remain as the beneficial owners of the Successor Company Promoter Warrants for the lifetime of the Successor Company Promoter Warrants unless (i) they are surrendered to the Successor Company in the circumstances contemplated by the Listing Rules, or (ii) a waiver is obtained from the Stock Exchange and approval is obtained from the Successor Company Shareholders, with the Promoters and their close associates abstaining from voting.

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7. Amendment of the SPAC Listed Warrant Instrument

Pursuant to Condition 11.2(a)(iv) of the terms and conditions of the SPAC Listed Warrants set out in schedule 2 to the SPAC Listed Warrant Instrument, the Vision Deal Board has resolved to add the following new clause 5A to the SPAC Listed Warrant Instrument:

“5A. Exchange of Listed Warrants for Successor Company Listed Warrants and Termination of This Instrument

In the event that the Successor Company which is listed on the Stock Exchange upon the completion of a De-SPAC Transaction is the De-SPAC Target and not the Company:

- (a) each Listed Warrant may by a resolution of the board of directors of the Company be cancelled in exchange for an equivalent listed warrant in the Successor Company on substantially the same terms and conditions as the Listed Warrants; and
- (b) this Instrument may by a resolution of the board of directors of the Company be terminated upon the Successor Company executing a warrant instrument with substantially similar terms and conditions as this Instrument.”

For avoidance of doubt, the Company in new clause 5A refers to Vision Deal.

The Vision Deal Board has deemed the addition of clause 5A to the SPAC Listed Warrant Instrument (a) to be necessary or desirable to give effect to the arrangements of the De-SPAC Transaction with respect to the SPAC Listed Warrants, and (b) on the basis that each SPAC Listed Warrant will be exchanged for an equivalent Successor Company Listed Warrant on substantially similar terms and conditions, and the Successor Company will assume each such SPAC Listed Warrant in accordance with its terms, the addition of such clause 5A to the SPAC Listed Warrant Instrument would not adversely affect the rights of the holders of the SPAC Listed Warrants in any material respect.

Based on the above, the amendment to the SPAC Listed Warrant Instrument does not require the consent of any holder of the SPAC Listed Warrants pursuant to the terms of the SPAC Listed Warrant Instrument but is subject to the approval of the Stock Exchange under Listing Rule 15.06, the approval of which has been granted.

A notice of the above amendment to the SPAC Listed Warrant Instrument will be given to the holders of the SPAC Listed Warrants by way of an announcement published on the websites of the Stock Exchange and Vision Deal.

8. Compliance with Rule 15.02 of the Listing Rules

To complete the De-SPAC Transaction, necessary actions and/or measures will be taken by Vision Deal and the Target Company to ensure compliance with the requirements under Rule 15.02 of the Listing Rules at the time of Listing.

LETTER FROM THE VISION DEAL BOARD

L. EFFECT OF THE DE-SPAC TRANSACTION ON THE SHAREHOLDINGS IN VISION DEAL AND THE SUCCESSOR COMPANY

As explained in “J. *The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (iv) Merger consideration*” above, upon the Effective Time,

- (i) each SPAC Class A Share (excluding the SPAC Class A Shares issued in connection with the SPAC Class B Conversion, the Redeeming SPAC Shares and the Dissenting SPAC Shares) will be automatically canceled and cease to exist in exchange for the right to receive “N” newly issued Successor Company Ordinary Share based on the formula accounted ratio attributable to beneficially owned Target Disposing Shares and attributable to Merger consideration, and each SPAC Class A Share issued in connection with the SPAC Class B Conversion will be automatically canceled and cease to exist in exchange for the right to receive one newly issued Successor Company Ordinary Share;
- (ii) (1) each SPAC Listed Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for one Successor Company Listed Warrant; and (2) each SPAC Promoter Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for one Successor Company Promoter Warrant; and
- (iii) each Dissenting SPAC Share issued and outstanding immediately prior to the Effective Time held by a Dissenting SPAC Shareholder will be automatically canceled and cease to exist and will thereafter represent only the right to be paid the fair value of such Dissenting SPAC Share and such other rights as are granted by the Cayman Companies Act, or (unless and until such Dissenting SPAC Shareholder fails to perfect or withdraws or otherwise loses his, her or its Appraisal Right under the Cayman Companies Act) one newly issued Successor Company Share.

Upon the completion of the De-SPAC Transaction, current SPAC Class A Shareholders (other than the Redeeming SPAC Shareholders and the Dissenting SPAC Shareholders) will become shareholders of the Successor Company together with the PIPE Investors, investors of the Permitted Equity Financing (if any) and the Target Remaining Shareholders.

LETTER FROM THE VISION DEAL BOARD

The detailed procedures with respect to exchanging SPAC Class A Shares (save for the Redeeming SPAC Shares, details of which are set out in “G. Share Redemption” above) and SPAC Listed Warrants for securities in the Successor Company are set out below.

1. Exchange of SPAC Class A Shares for Successor Company Shares

Closure of register of members of Vision Deal

The register of members of Vision Deal will be closed from [the third Business Day immediately preceding the date of the Effective Time] onwards in order to determine the entitlements of SPAC Class A Shareholders to the right to receive Successor Company Shares. The latest time to lodge transfer documents for registration with the Hong Kong Share Registrar of Vision Deal will be at 4:30 p.m. on [the fourth Business Day immediately preceding the date of the Effective Time].

Automatic conversion of SPAC Class B Shares

Immediately prior to the Effective Time, each SPAC Class B Share then issued and outstanding will be automatically canceled and converted into one validly issued, fully paid and non-assessable SPAC Class A Share in accordance with the terms of the Vision Deal Articles. Upon the SPAC Class B Conversion, all of the SPAC Class B ordinary shares shall no longer be issued and outstanding, and each holder of a SPAC Class B Share shall cease to have any rights in and to such SPAC Class B Share.

Cancellation of SPAC Class A Shares

Immediately following the Effective Time, each SPAC Class A Share issued and outstanding immediately prior to the Effective Time (excluding the SPAC Class A Shares issued in connection with the SPAC Class B Conversion, the Redeeming SPAC Shares and the Dissenting SPAC Shares) will be canceled and cease to exist in exchange for the right to receive “N” newly issued Successor Company Ordinary Share based on the formula accounted ratio attributable to beneficially owned Target Disposing Shares and attributable to Merger consideration. See section under “J. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (iv) Merger consideration – (ii) SPAC Class A Shareholders’ interest in the Successor Company” above for the calculation of “N”.

Issue of Successor Company Shares

Immediately following the Effective Time, Successor Company Shares will be issued to SPAC Class A Shareholders (other than the Redeeming SPAC Shareholders and, if applicable, the Dissenting SPAC Shareholders) for each SPAC Class A Share issued and outstanding immediately prior to the Effective Time.

LETTER FROM THE VISION DEAL BOARD

Share certificates for Successor Company Shares will be dispatched [on the Business Day immediately preceding the date of the Effective Time]. On the basis that the Effective Time is on [*day, date*], the share certificates for settlement of the Successor Company Shares are expected to be dispatched on or before [*day, date*].

In respect of the Successor Company Shares which the SPAC Class A Shareholders (excluding the Redeeming SPAC Shareholders and, if applicable, the Dissenting SPAC Shareholders) are entitled to receive in exchange for the cancellation of their SPAC Class A Shares under the Merger, each SPAC Class A Shareholder will be sent one share certificate representing all Successor Company Shares, except for HKSCC Nominees which may request for share certificates to be issued in such denominations as it may specify.

Any share certificates of Successor Company Shares posted to the SPAC Class A Shareholders pursuant to the Merger which have been returned or undelivered will be cancelled. The Hong Kong Share Registrar may thereafter issue new share certificates in respect of such Successor Company Shares to persons who satisfy the Successor Company that they are respectively entitled thereto, and transfer to them all accrued entitlements from the date of allotment and issue of the relevant Successor Company Shares, subject to the payment of any expenses incurred.

Share certificates for the Successor Company Shares will be sent by ordinary post to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of Vision Deal in respect of the joint holding at their own risk. For Beneficial Owners that hold SPAC Class A Shares through a nominee (other than HKSCC Nominees) as a Registered Shareholder of Vision Deal, share certificates issued in the name of the nominee will be sent by ordinary post to the nominee at the risk of the nominee.

For Beneficial Owners whose SPAC Class A Shares are deposited in CCASS and registered under the name of HKSCC Nominees, share certificate(s) will be made available for collection by HKSCC Nominees. Upon receipt of the share certificate(s), HKSCC Nominees will cause such Successor Company Shares to be transferred to the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

2. Exchange of SPAC Listed Warrants for Successor Company Listed Warrants

Closure of register of holders of SPAC warrants

The register of holders of SPAC warrants will be closed from [the third Business Day immediately preceding the date of the Effective Time] onwards in order to determine the entitlements of holders of SPAC Listed Warrants to the right to receive Successor Company Listed Warrants. The latest time to lodge transfer documents for registration with the Hong Kong Share Registrar of Vision Deal will be at 4:30 p.m. on [the fourth Business Day immediately preceding the date of the Effective Time].

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Cancellation of SPAC Listed Warrants

Immediately following the Effective Time, each SPAC Listed Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for an equivalent Successor Company Listed Warrant, and the Successor Company will assume each such SPAC Listed Warrant in accordance with its terms. All rights with respect to SPAC Shares underlying the relevant SPAC Listed Warrants assumed by the Successor Company will be converted into rights with respect to the Successor Company Shares.

Issue of Successor Company Listed Warrants

In accordance with the provisions of the Successor Company Listed Warrant Instrument, each Successor Company Listed Warrant will continue to have and be subject to substantially the same terms and conditions as were applicable to such SPAC Listed Warrant immediately prior to the Effective Time under the SPAC Listed Warrant Instrument.

Immediately following the Effective Time, Successor Company Listed Warrants will be issued to holders of SPAC Listed Warrants for each SPAC Listed Warrant issued immediately prior to the Effective Time.

For Beneficial Owners whose SPAC Listed Warrants are deposited in CCASS and registered under the name of HKSCC Nominees, warrant certificate(s) will be addressed to and made available for collection by HKSCC Nominees. Upon receipt of the warrant certificate(s), HKSCC Nominees will cause such Successor Company Listed Warrants to be transferred to the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

3. Exchange of SPAC Promoter Warrants for Successor Company Promoter Warrants

Cancellation of SPAC Promoter Warrants

Immediately following the Effective Time, each SPAC Promoter Warrant that is outstanding immediately prior to the Effective Time will be automatically canceled and cease to exist in exchange for an equivalent Successor Company Promoter Warrant, and the Successor Company will assume each such SPAC Promoter Warrant in accordance with its terms. All rights with respect to SPAC Shares underlying the relevant SPAC Promoter Warrants assumed by the Successor Company will be converted into rights with respect to the Successor Company Shares.

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Issue of Successor Company Promoter Warrants

In accordance with the provisions of the Successor Company Promoter Warrant Agreement, each Successor Company Promoter Warrant will continue to have and be subject to substantially the same terms and conditions as were applicable to such SPAC Promoter Warrant immediately prior to the Effective time under the provisions of the SPAC Promoter Warrant Agreement.

Immediately following the Effective Time, Successor Company Promoter Warrants will be issued to holders of SPAC Promoter Warrants for each SPAC Promoter Warrant issued immediately prior to the Effective Time.

4. Validity of Successor Company Share and Warrant Certificates

No temporary document of title will be issued in respect of the Successor Company Shares and the Successor Company Warrants.

The certificates for the Successor Company Shares and Successor Company Warrants will be [dispatched and/or] deposited into CCASS (as applicable) on or before [the Business Day immediately preceding the Effective Time] but such certificates will only become valid at Closing. Investors who trade the Successor Company Shares or the Successor Company Warrants prior to the certificates for the Successor Company Shares and/or the Successor Company Warrants becoming valid do so entirely at their own risk.

5. Withdrawal of Listing of SPAC Class A Shares and SPAC Listed Warrants

Immediately following the Effective Time, each SPAC Share issued and outstanding as of immediately prior to the Effective Time will be automatically canceled and cease to exist. All the share certificates representing SPAC Class A Shares will cease to have effect as evidence of title as from the Effective Time. Vision Deal will apply to the Stock Exchange for the withdrawal of the listing of SPAC Class A Shares on the Stock Exchange.

Subject to SPAC Shareholders' approval at the EGM, such withdrawal will take place as soon as practicable following the Effective Time. Pursuant to Listing Rule 15.05(1), the SPAC Listed Warrants may be listed only if the underlying securities to be subscribed or purchased are a class of listed equity securities, the listing of the SPAC Listed Warrants will be withdrawn simultaneously as the withdrawal of listing of the SPAC Class A Shares.

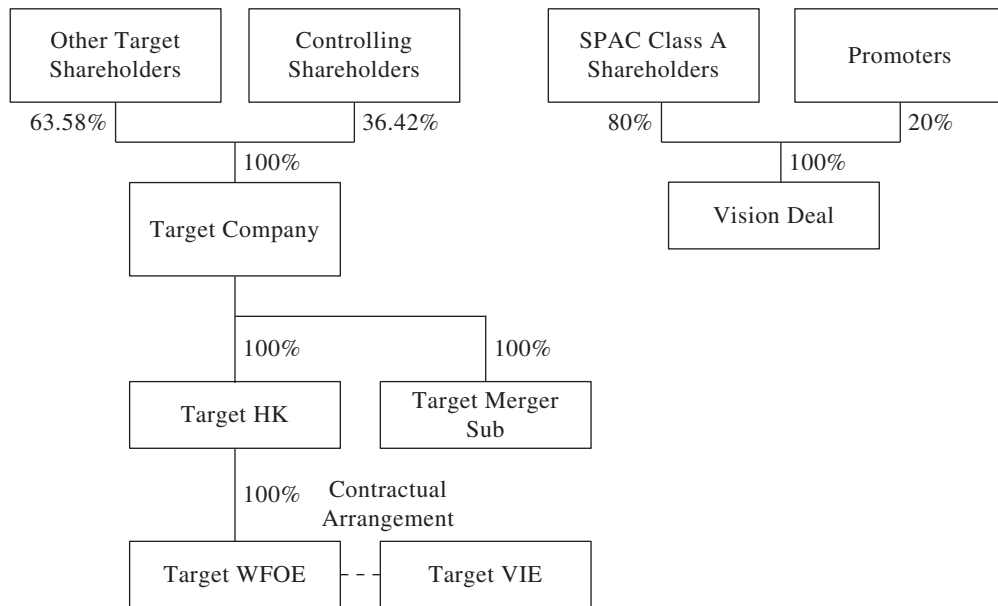
Dealings in the SPAC Class A Shares and SPAC Listed Warrants on the Stock Exchange are expected to cease after [*time*] on [*date*], and the listings of the SPAC Class A Shares and SPAC Listed Warrants on the Stock Exchange is expected to be withdrawn after the Effective Time, which is expected to be [*time*] on [*date*]. SPAC Class A Shareholders and holders of the SPAC Listed Warrants will be notified by way of announcement(s) of the date of the last day

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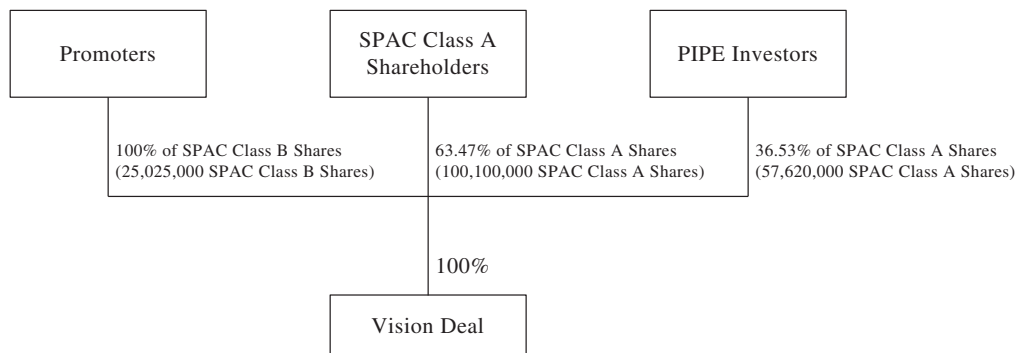
for dealings in the SPAC Class A Shares and SPAC Listed Warrants and the dates on which the withdrawal of the listing of the SPAC Class A Shares and SPAC Listed Warrants on the Stock Exchange will become effective and the Effective Time and the Closing will occur.

6. Corporate Structures

- (i) The simplified corporate structure charts which show the shareholding of the Target Group and Vision Deal immediately prior to the De-SPAC Transaction are set out below:

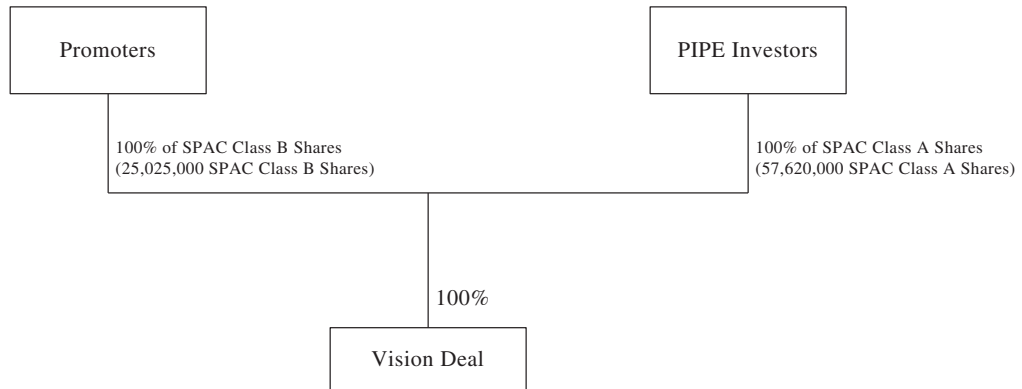


- (ii) The simplified corporate structure chart of Vision Deal immediately after the implementation of PIPE Investments is set out below:

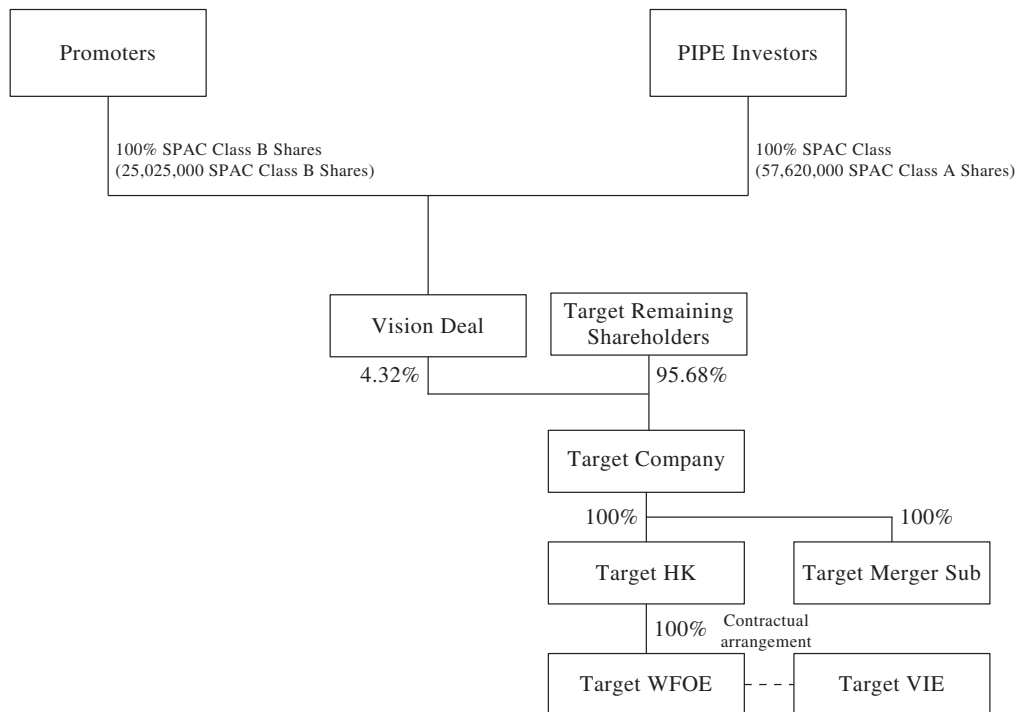


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(iii) The simplified corporate structure chart of Vision Deal immediately after the implementation of the Share Redemption (assuming full redemption of SPAC Class A Shares) is set out below:

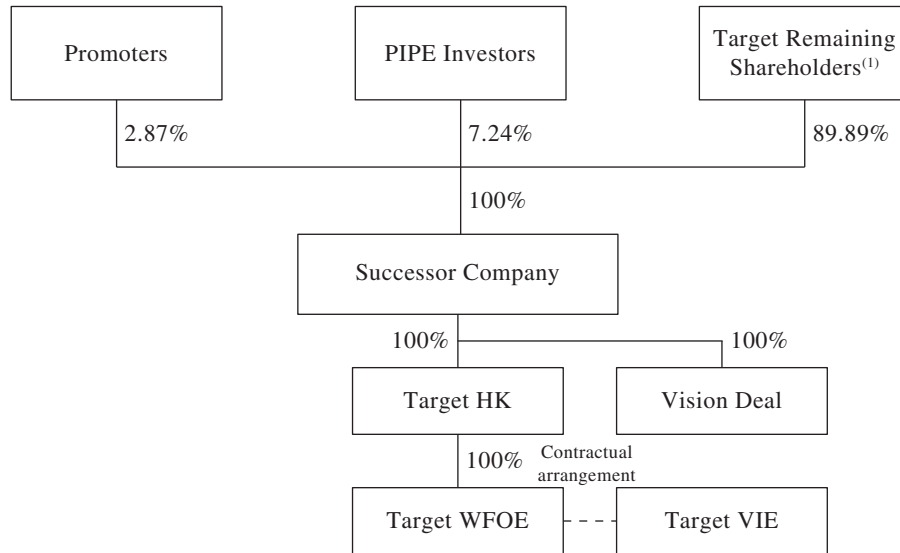


(iv) The simplified corporate structure chart of the Target Group and Vision Deal immediately after the implementation of the Share Transfer is set out below:



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- (v) The simplified corporate structure chart of the Successor Group following the Effective Time is set out below:



Note:

- (1) Target Remaining Shareholders include Target Controlling Shareholders and other Target Shareholders, who are interested in shareholding of 34.21% and 55.68%, respectively.

7. Expected Shareholding in the Successor Company and Potential Dilution Effect of the De-SPAC Transaction

(a) Assuming full redemption of SPAC Class A Shares

Assuming all SPAC Class A Shareholders elect to redeem any SPAC Class A Shares and there is no Permitted Equity Financing, the expected shareholding in the Successor Company immediately after Closing are set out below:

Shareholders of the Successor Company	Number of shares	%
Core connected persons of the Successor Company which are Target Shareholders		
Controlling Shareholders		
Funplus	199,011,247	22.76%
Vanker	100,145,150	11.45%
Total Controlling Shareholders shares	299,156,397	34.21%
Other core connected persons		
Peerless Hero Limited	56,543,487	6.47%
Yun Qu Limited	42,660,819	4.88%
Fiery Dragon Limited	28,198,337	3.23%

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Shareholders of the Successor Company	Number of shares	%
Matrix Partners China V, L.P.	11,901,664	1.36%
Matrix Partners China V-A, L.P.	1,237,730	0.14%
Matrix Partners China VI, L.P.	76,348,128	8.73%
Matrix Partners China VI-A, L.P.	8,266,885	0.95%
Skycus China Fund, L.P.	50,467,184	5.77%
Duckling Fund, L.P.	55,061,511	6.30%
Iridescent Rainbow Limited	4,254,073	0.49%
Target Shareholders which are core connected person	634,096,215	72.52%
Target Shareholders which are not core connected person	151,883,239	17.37%
Total Target Shareholders	785,979,454	89.89%
Other core connected person of the Successor Company		
VKC Management	11,261,250	1.29%
Total core connected persons shares	645,357,465	73.81%
PIPE Investors		
Zheshang International	26,855,424	3.07%
Orient Asset Management	6,694,619	0.77%
Guangdong Finance Investment International	1,648,920	0.19%
China Arbitrage Fund	219,856	0.03%
Taizhou TS First Fortune	4,946,763	0.57%
37 Starseek	6,881,496	0.79%
Bluefocus International	3,297,842	0.38%
SensePower Management	2,946,072	0.34%
Modern Leaves	3,297,842	0.38%
Galaxy Link	681,554	0.08%
Admeliora Limited	549,640	0.06%
Chinese Culture Investment	384,748	0.04%
PIPE Individual Investors	4,935,770	0.56%
Total PIPE Investment	63,340,546	7.24%
SPAC Class A Shareholders	0	0%
Promoters (other than VKC Management)	13,763,750	1.57%
Total	874,345,000	100%

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Notes:

- (1) Assuming all SPAC Class A Shareholder elects to redeem all SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing.
- (2) The percentage figures are subject to rounding adjustments and may not be an arithmetic aggregation of the figures preceding them.

The Successor Company Listed Warrants and the Successor Company Promoter Warrants will become exercisable 30 days and 12 months after the Listing Date, respectively, and subject to the satisfaction of certain conditions. If the Successor Company Warrants are exercised in full, an aggregate of 42,525,000 Successor Company Shares will be issued, representing a maximum dilution impact of 4.64% in the shareholding in the Successor Company immediately after Closing, assuming all SPAC Class A Shareholders elect to redeem their SPAC Class A Shares and there is no Permitted Equity Financing.

The Issuable Earn-out Shares may only be issued subject to the satisfaction of certain conditions. Assuming no adjustments to the number of Issuable Earn-out Shares pursuant to the terms and conditions of the Earn-out Agreement and the Issuable Earn-out Shares are issued in full, an aggregate of 87,434,500 Successor Company Shares (representing 10% of total 874,345,000 Successor Company Shares) will be issued, representing a maximum dilution impact of 9.09% in the shareholding in the Successor Company immediately after Closing, assuming all SPAC Class A Shareholders elect to redeem their SPAC Class A Shares and there is no Permitted Equity Financing. See “K. Other Arrangements – 2. Earn-out Rights” above for further details on the Earn-out Rights.

(b) Assuming no redemption of SPAC Class A Shares

Assuming no SPAC Class A Shareholders elect to redeem any SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing, the expected shareholding in the Successor Company immediately after Closing are set out below:

Shareholders of the Successor Company	Number of shares	%
Core connected persons of the Successor Company which are Target Shareholders		
Controlling Shareholders		
Funplus	199,011,247	20.35%
Vanker	100,145,150	10.24%
Total Controlling Shareholders shares	299,156,397	30.59%
Other core connected persons		
Peerless Hero Limited	56,543,487	5.78%
Yun Qu Limited	42,660,819	4.36%

LETTER FROM THE VISION DEAL BOARD

Shareholders of the Successor Company	Number of shares	%
Fiery Dragon Limited	28,198,337	2.88%
Skycus China Fund, L.P.	50,467,184	5.16%
Duckling Fund, L.P.	55,061,511	5.63%
Iridescent Rainbow Limited	4,254,073	0.44%
Target Shareholders which are core connected person	536,341,808	54.85%
Target Shareholders which are not core connected person	249,637,646	25.53%
Total Target Shareholders	785,979,454	80.38%
Other core connected person of the Successor Company		
VKC Management	11,261,250	1.15%
Total core connected persons shares	547,603,058	56.00%
PIPE Investors		
Zheshang International	25,297,384	2.59%
Orient Asset Management	6,306,225	0.64%
Guangdong Finance Investment International	1,553,257	0.16%
China Arbitrage Fund	207,101	0.02%
Taizhou TS First Fortune	8,180,489	0.84%
37 Starseek	6,482,260	0.66%
Bluefocus International	3,106,515	0.32%
SensePower Management	2,775,153	0.28%
Modern Leaves	3,106,515	0.32%
Galaxy Link	642,013	0.07%
Admeliora Limited	517,752	0.05%
Chinese Culture Investment	362,427	0.04%
PIPE Individual Investors	4,649,417	0.48%
 Total PIPE Investment	 63,186,508	 6.46%
 SPAC Class A Shareholders	 103,654,038	 10.60%
 Promoters (other than VKC Management)	 13,763,750	 1.41%
 Total	 977,845,000	 100%

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Notes:

- (1) Assuming no SPAC Class A Shareholder elects to redeem any SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing.
- (2) The percentage figures are subject to rounding adjustments and may not be an arithmetic aggregation of the figures preceding them.

The Successor Company Listed Warrants and the Successor Company Promoter Warrants will become exercisable 30 days and 12 months after the Listing Date, respectively, and subject to the satisfaction of certain conditions. If the Successor Company Warrants are exercised in full, an aggregate of 42,525,000 Successor Company Shares will be issued, representing a maximum dilution impact of 4.17% in the shareholding in the Successor Company immediately after Closing, assuming no SPAC Class A Shareholders elect to redeem their SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right, and there is no Permitted Equity Financing.

The Issuable Earn-out Shares may only be issued subject to the satisfaction of certain conditions. Assuming no adjustments to the number of Issuable Earn-out Shares pursuant to the terms and conditions of the Earn-out Rights under the Business Combination Agreement and the Issuable Earn-out Shares are issued in full, an aggregate of 97,784,500 Successor Company Shares (representing 10% of total 977,845,000 Successor Company Shares) will be issued, representing a maximum dilution impact of 9.09% in the shareholding in the Successor Company immediately after Closing, assuming no SPAC Class A Shareholders elect to redeem their SPAC Class A Shares and no SPAC Class A Shareholders exercise their Appraisal Right. See "K. Other Arrangements – 2. Earn-out Rights" above for further details on the Earn-out Rights.

8. Public Float

Save for the following persons,

- (i) the Controlling Shareholders (namely Funplus, Vanker);
- (ii) Peerless Hero Limited, Yun Qu Limited and Fiery Dragon Limited, pursuant to the Voting Proxy Agreements in which Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the Successor Company Shares held by Peerless Hero Limited, Yun Qu Limited and Fiery Dragon Limited, respectively;
- (iii) the substantial shareholders of the Successor Company (namely Matrix Partners China V, L.P., Matrix Partners China V-A, L.P., Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P., Skycus China Fund, L.P., Duckling Fund, L.P. (Note));

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Note: For the avoidance of doubt, Matrix Partners China V, L.P., Matrix Partners China V-A, L.P., Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P., in aggregate will not hold 10% or more Successor Company Shares upon Closing, if no SPAC Class A Shareholders elect to redeem any SPAC Class A Shares and no SPAC Class A Shareholders exercise their Appraisal Right. In such case, the Successor Company Shares held by Matrix Partners China V, L.P., Matrix Partners China V-A, L.P., Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P. will count towards public float upon Closing.

- (iv) Iridescent Rainbow Limited, the voting rights attached to its Successor Company Shares, as nominated by Guangzhou Quwan are exercised by Sun Mingjun to the best of the knowledge of the directors of the Target Company; and
- (v) VKC Management, wholly owned by Mr. Wei Zhe, the proposed non-executive director of the Successor Company.

Except as stated above, the existing shareholders of the Target Company, the PIPE Investors, the SPAC Class A Shareholders and the Promoters (other than VKC Management) will not be core connected persons of the Successor Company and will not be accustomed to taking instructions from the core connected persons in relation to the acquisition, disposal, voting or other disposition of the Successor Company Shares held or to be allotted to them, therefore the Successor Company Shares held by them will count towards the public float upon Closing.

Based on the above, immediately after Closing, (i) the core connected persons of the Successor Company will be interested in 56.00% of the shareholding in the Successor Company and the public float of the Successor Company will be 44.00% (assuming no SPAC Class A Shareholders elect to redeem any SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing); or (ii) the core connected persons of the Successor Company will be interested in 73.81% of the shareholding in the Successor Company and the public float of the Successor Company will be 26.19% (assuming all SPAC Class A Shareholders elect to redeem their SPAC Class A Shares and there is no Permitted Equity Financing).

Taking into account the Successor Company Shares that may be issued upon exercise of the Successor Company Warrants and the Issuable Earn-out Shares, the public float of the Successor Company will be 51.01% (assuming no SPAC Class A Shareholders elect to redeem any SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing), or 35.98% (assuming all SPAC Class A Shareholders elect to redeem their SPAC Class A Shares and there is no Permitted Equity Financing).

The Successor Company will comply with the minimum public float requirement under Listing Rule 8.08(1)(a) under any of or any combination of the scenarios involving issue of the Successor Company Shares.

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M. VALUATIONS ADOPTED FOR THE DE-SPAC TRANSACTION

The De-SPAC Transaction consists of the Share Transfer and the Merger. The valuations for the Share Transfer and the Merger are based on the Share Transfer Total Equity Value and the Target Merger Total Equity Value, respectively. The Share Transfer and the Merger are distinct transactions within the De-SPAC Transaction, each reflecting their inherent nature and components.

From the perspective of the Target Disposing Shareholders, who are selling minority equity interest in the Target Company based on their expected annual return rate and the macroeconomic environment, the disposal of the Target Disposing Shares through the Share Transfer allows them to realize the equity value in the form of immediate and ascertained cash return. The valuation adopted to obtain ascertained cash return through Share Transfer is a commercial decision agreed by the Target Disposing Shareholders, instead of retaining such equity interest in the Successor Company upon completion of the De-SPAC Transaction. As a result, the interests of the Target Disposing Shares become distinct from the Target Remaining Shares upon the Share Transfer.

From Target Remaining Shareholders perspective, the valuation for the Merger primarily considers the prospects of the Target Company and the equity interest held by the Target Remaining Shareholders. The Target Merger Total Equity Value accounts for the majority of the valuation of the De-SPAC Transaction and determines the Merger consideration for effectuating the Merger. The Target Merger Total Equity Value reflects the negotiated value between the Target Remaining Shareholders, the PIPE Investors and the SPAC Shareholders (other than the Redeeming SPAC Shareholders), taking into account various parameters such as the financial, operational and trading position, earnings, prospects, assets, and liabilities of the Group as a whole from the Successor Company's perspective. The Target Remaining Shareholders negotiate the valuation for Merger by aligning their equity interest in the Target Company with its future business prospects with the PIPE Investors and the SPAC Shareholders (other than the Redeeming SPAC Shareholders) and to achieve a listing of the Target Company's business through De-SPAC Transaction.

From the perspective of the PIPE Investors and the SPAC Shareholders (other than the Redeeming SPAC Shareholders), the different valuations reflects two components of the De-SPAC Transaction, namely the lower Share Transfer Total Equity Value as compared to the Target Merger Total Equity Value, which allows the PIPE Investors and the SPAC Shareholders (other than the Redeeming SPAC Shareholders) to immediately benefit from an appreciation value of approximately 4.32% of the Target Shares upon the completion of the Share Transfer. This is because the Target Merger Total Equity Value will be adopted as the Merger consideration in the Business Combination Agreement and to determine the number of newly issued shares of the Successor Company to be received by the SPAC Shareholders (other than the Redeeming SPAC Shareholders and PIPE Investors).

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SPAC Shareholders (other than the Redeeming SPAC Shareholders) and PIPE Investors will be informed about the different valuations applied to the Share Transfer and the Merger and can make an informed investment decision regarding their participation in the De-SPAC Transaction. The Successor Company's listing document for the De-SPAC Transaction, which will be provided to the SPAC Shareholders, will offer detailed disclosure about the terms and basis for the valuation and consideration payable by Vision Deal for the Share Transfer and the Merger. Consequently, after the completion of the De-SPAC Transaction, all SPAC Shareholders (other than the Redeeming SPAC Shareholders) and PIPE Investors, will agree on and share the same valuation of the Target Company based on the Share Transfer Total Equity Value and Target Merger Total Equity Value respectively. These valuations reflect the consideration of the Merger to be received by the existing SPAC Shareholders (other than the Redeeming SPAC Shareholders) and PIPE Investors proportionally based on their shareholdings in Vision Deal prior to Share Transfer and Merger.

As required by the Listing Rules, (i) the completion of the De-SPAC Transaction will be conditional on approval by the SPAC Shareholders at the EGM, and (ii) SPAC Shareholders can redeem all or part of their SPAC Shares and therefore not participate in the De-SPAC Transaction if they consider the terms and valuation of the Target Company to be unattractive or overvalued. **The Shareholders of Vision Deal are reminded that they are provided an opportunity to elect to redeem all or part of their holdings of SPAC Class A Shares if they consider the terms and valuation of the Target Company to be unattractive or over-valued.**

N. EFFECTS OF THE DE-SPAC TRANSACTION ON THE ESCROW ACCOUNT

Pursuant to the terms of the Business Combination Agreement, funds available in the Escrow Account will be paid as soon as practicable after the Effective Time in the following order:

- (a) first, all amounts payable in respect of the SPAC Shareholder Redemption Amount will be paid to holders of Redeeming SPAC Shares pursuant to their exercise of the Redemption Right; and then, all accrued and unpaid aggregate amount of all fees, costs and expenses of SPAC incurred prior to and including the date of the Closing; and
- (b) Following the Effective Time, no SPAC Shareholder will be entitled to receive any amount from the Escrow Account except to the extent such shareholder shall have elected to tender its SPAC Class A Shares for redemption pursuant to the SPAC Shareholder Redemption. Following the payment of the amounts described in paragraph (a) above, any amount available in the Escrow Account (if any) will become assets of the Successor Company.

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O. FINANCIAL EFFECTS OF THE DE-SPAC TRANSACTION

Upon Closing, Vision Deal will become a wholly-owned subsidiary of the Successor Company and the financial statements of Vision Deal will be consolidated into the financial statements of the Successor Group.

1. Net assets

For preparation of the unaudited pro forma consolidated balance sheet of the Successor Group as set out in Appendix III to this circular, it is assumed that Closing took place on June 30, 2023. As at June 30, 2023, (i) the unaudited pro forma total assets of the Successor Group would be RMB2,543 million (assuming all SPAC Class A Shareholders elect to redeem their SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing) or RMB3,496 million (assuming no SPAC Class A Shareholders elect to redeem their SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right, and there is no Permitted Equity Financing), which represents an increase of RMB1,600 million or RMB2,553 million, respectively, when compared with the unaudited consolidated total assets of Vision Deal of HK\$1,023 million (equivalent to RMB943 million) as at June 30, 2023 and (ii) total liabilities of the Successor Group would be RMB830 million (assuming all SPAC Class A Shareholders elect to redeem their SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing), which represents a decrease of RMB153 million when compared with the unaudited total liabilities of Vision Deal of HK\$1,066 million (equivalent to RMB983 million) as at June 30, 2023.

2. Earnings

For preparation of the unaudited pro forma consolidated income statement of the Successor Group as set out in Appendix III to this circular, assuming that Closing took place on January 1, 2022, the unaudited pro forma net loss of the Successor Group for the year ended December 31, 2022 would be RMB445 million (assuming all SPAC Class A Shareholders elect to redeem their SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing) or RMB524 million (assuming no SPAC Class A Shareholders elect to redeem their SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right, and there is no Permitted Equity Financing), which represents an increase in net loss of RMB314 million or RMB393 million, respectively, when compared with the net loss of Vision Deal of HK\$154 million (equivalent to RMB131 million) for the year ended December 31, 2022.

Please refer to “Appendix III – Unaudited Pro Forma Financial Information of the Successor Group” for further details in relation to the unaudited pro forma financial information of the Successor Group.

The above financial effects are for illustrative purpose only and do not purport to present the financial position or results of the Successor Group upon Closing.

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3. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Successor Group

Please see “Appendix III – Unaudited Pro Forma Financial Information of the Successor Group – C. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Successor Group as at June 30, 2023” for details.

P. INAPPLICABILITY OF THE CODES FOR THE DE-SPAC TRANSACTION

As at the Latest Practicable Date, the Controlling Shareholders in aggregate hold approximately 51.92% of the voting rights of the Target Company.

Immediately upon completion of the De-SPAC Transaction, the Controlling Shareholders will in aggregate hold (i) approximately 43.62% of the voting rights of the Successor Company (assuming that (i) the Target Capital Restructuring is completed; (ii) no SPAC Class A Shareholders exercise their Redemption Right with respect to their SPAC Class A Shares; (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,186,508 Successor Company Shares (subject to adjustments) are issued to the PIPE Investors pursuant to the PIPE Investment Agreements and (v) there is no Permitted Equity Financing), or (ii) approximately 48.79% of the voting rights of the Successor Company (assuming that (i) the Target Capital Restructuring is completed; (ii) all SPAC Class A Shareholders exercise their Redemption Right and/or Appraisal Right with respect to their SPAC Class A Shares; (iii) 63,340,546 Successor Company Shares (subject to adjustments) are issued to the PIPE Investors pursuant to the PIPE Investment Agreements and (iv) there is no Permitted Equity Financing).

Under Rule 26.1 of the Takeovers Code, the De-SPAC Transaction would trigger a technical mandatory general offer obligation unless a waiver is granted.

The Target Company and the Controlling Shareholders have applied for a ruling from the SFC on the applicability of the Codes to the De-SPAC Transaction, and the SFC has confirmed that the Codes will not apply to the De-SPAC Transaction pursuant to section 2.1 of the Introduction to the Codes.

Q. LISTING RULES IMPLICATIONS OF THE DE-SPAC TRANSACTION INVOLVING A NEW LISTING APPLICATION

Vision Deal is required to comply with applicable Listing Rules regarding reverse takeovers with respect to the De-SPAC Transaction. Under Listing Rule 14.54, the Successor Company will be treated as if it were a new listing applicant. The Target Group is required to meet the requirements under Listing Rules 8.04 and 8.05 and the Successor Group must meet all basic listing eligibility requirements set out in Chapter 8 of the Listing Rules (except Listing Rule 8.05). The Successor Company must also comply with the procedures and requirements as set out in Chapter 9 of the Listing Rules to submit a new listing application to the Stock Exchange, for the listing of, and permission to deal in, the Successor Company Shares and the Successor Company Listed Warrants.

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The new listing application is subject to approval by the Listing Committee, which may or may not grant its approval. If such approval is not granted, the PIPE Investments, the Share Transfer Agreements and the Business Combination Agreement will not become unconditional and the De-SPAC Transaction will not proceed.

The Successor Company has made an application to the Stock Exchange for the listing of, and permission to deal in, the Successor Company Shares and the Successor Company Warrants on the Main Board of the Stock Exchange. China International Capital Corporation Hong Kong Securities Limited has been appointed as the Sole Sponsor to the Successor Company’s listing application. Vision Deal will make an application to the Stock Exchange for the withdrawal of listing of the SPAC Class A Shares (which will be subject to approval by SPAC Class A Shareholders) and the SPAC Listed Warrants. Upon the Closing, the listing statuses of the SPAC Class A Shares and the SPAC Listed Warrants will be withdrawn, and the Successor Company Shares and the Successor Company Listed Warrants will become listed on the Main Board of the Stock Exchange. The Successor Company Shares will be traded in board lots of [200] Successor Company Shares, and the Successor Company Listed Warrants will be traded in board lots of [55,000] Successor Company Listed Warrants.

Subject to the granting of the listing of, and permission to deal in, Successor Company Shares and the Successor Company Warrants on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Successor Company Shares and the Successor Company Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Successor Company Shares and the Successor Company Warrants on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. Dealings in the Successor Company Shares and the Successor Company Warrants on the Stock Exchange will be subject to the payment of stamp duty, Stock Exchange trading fee, the SFC transaction levy or any other applicable fees and charges in Hong Kong.

The De-SPAC Transaction is conditional upon, (i) the completion of the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer, the Merger and (ii) the withdrawal of listing of the SPAC Class A Shares will be subject to, approval by the SPAC Class A Shareholders at the EGM and (iii) the compliance with applicable Listing Rule requirements (including the requirement for the Successor Company to have a minimum number of 100 Professional Investors at the time of listing under Listing Rule 18B.65), unless a waiver from strict compliance with any of these requirements is granted by the Stock Exchange.

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R. APPRAISAL RIGHT OF DISSENTING SPAC SHAREHOLDERS

Section 238 of the Cayman Companies Act provides for the Appraisal Right of the Dissenting SPAC Shareholders to be paid the fair value of their SPAC Shares, subject to limitations under Section 239 of the Cayman Companies Act.

SPAC Shareholders have the Appraisal Right in connection with the De-SPAC Transaction under the Cayman Companies Act. SPAC Class A Shareholders who wish to exercise their Appraisal Right must follow the statutory procedures prescribed in the Cayman Companies Act as set out in "Important Notice to SPAC Shareholders and Actions to be Taken – D. Appraisal Right of Dissenting SPAC Shareholders".

The Vision Deal Board has determined that the Redemption Price represents the fair value of the SPAC Shares. If the Dissenting SPAC Shareholders do not agree with the fair value determined by the Vision Deal Board and file a petition with the Cayman Court for a determination of the fair value of the Dissenting SPAC Shares, the Cayman Court will determine the fair value of the Dissenting SPAC Shares as at the date of the EGM at which the Merger is approved.

Under the Cayman Companies Act, upon giving the Appraisal Right Exercise Notice, the Dissenting SPAC Shareholder will cease to have any right as an SPAC Shareholder (including the Redemption Right to redeem all or part of their holdings of SPAC Class A Shares) except the Appraisal Right, the right under Section 238(12) of the Cayman Companies Act to participate fully in all proceedings until the determination of fair value is reached and the right under Section 238(16) of the Cayman Companies Act to institute proceedings to obtain relief on the ground that the Merger is void or unlawful.

Pursuant to the Business Combination Agreement, Dissenting SPAC Shareholders will also have no right to receive any Successor Company Shares or any other consideration under the De-SPAC Transaction unless and until such Dissenting SPAC Shareholder fails to perfect in accordance with the prescribed statutory procedure or withdraws or otherwise loses its Appraisal Right under the Cayman Companies Act. The SPAC Shares held by Dissenting SPAC Shareholders who fail to perfect in accordance with the prescribed statutory procedure or withdraw or otherwise lose their Appraisal Rights under the Cayman Companies Act will cease to be Dissenting SPAC Shares and will be deemed to have been converted into the right to receive newly issued Successor Company Shares immediately following the Effective Time pursuant to the Business Combination Agreement.

Notwithstanding any exercise of the Appraisal Right by Dissenting SPAC Shareholders, upon the approval of the Merger and the De-SPAC Transaction by the SPAC Shareholders at the EGM, the Plan of Merger will be filed with the Cayman Registrar and the Merger will become effective at the Effective Time.

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If the De-SPAC Transaction is not completed for any reason, Dissenting SPAC Shareholders will lose their Appraisal Right under the Cayman Companies Act and any Appraisal Right Exercise Notice given by Dissenting SPAC Shareholders will become void.

Please refer to “Important Notice to SPAC Shareholders and Actions to be Taken – D. Appraisal Right of Dissenting SPAC Shareholders” for further details of the Appraisal Right. SPAC Shareholders who wish to exercise their Appraisal Right are recommended to seek their own advice on the application and procedure to be followed in respect of the appraisal rights under the Cayman Companies Act.

S. ADOPTION OF PRIVATE COMPANY MEMORANDUM AND ARTICLES

The existing Vision Deal Articles has not been amended since January 20, 2022. Following the Merger and the withdrawal of listing of the SPAC Class A Shares, Vision Deal will become a private unlisted company and a wholly-owned subsidiary of the Successor Company. Subject to the approval by SPAC Shareholders at the EGM by way of special resolution, upon the Effective Time, Vision Deal will adopt the Private Company Memorandum and Articles which will replace the existing Vision Deal Articles in their entirety. A summary of the Private Company Memorandum and Articles is set out in “Appendix VI – Summary of the Private Company Memorandum and Articles of Vision Deal”.

SPAC Shareholders (excluding the Redeeming SPAC Shareholders and, if applicable, the Dissenting SPAC Shareholders) will become shareholders of the Successor Company (which is bound by the Successor Company Memorandum and Articles as summarized in “Appendix V – Summary of the Constitution of the Successor Company and Cayman Islands Company Law – Summary of the Constitution of the Successor Company”) upon Closing. As the Private Company Memorandum and Articles only come into effect after SPAC Shareholders cease to be shareholders of Vision Deal, the Vision Deal Directors recommend the SPAC Shareholders to vote in favor of the special resolution to be proposed at the EGM to approve the adoption of the Private Company Memorandum and Articles.

T. SOLE SPONSOR

China International Capital Corporation Hong Kong Securities Limited has been appointed as the sole sponsor to the deemed new listing application of the Successor Company.

U. EGM AND VOTING

Vision Deal will convene the EGM for the SPAC Shareholders to consider and, if thought fit, approve, the De-SPAC Transaction (including the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger), the withdrawal of listing of the SPAC Class A Shares and the adoption of the Private Company Memorandum and Articles by Vision Deal. Each of the resolutions to approve the De-SPAC Transaction and the withdrawal of listing of SPAC Class A Shares is an ordinary resolution, which will be passed by the approval of a simple majority of votes of SPAC Shareholders voting in person or by proxy at the EGM.

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The resolution to approve the Merger is a special resolution, which will be passed by approval of two-thirds of the votes of SPAC Shareholders voting in person or by proxy at the EGM. The resolution to approve the adoption of the Private Company Memorandum and Articles (which, if adopted, takes effect at the same time as when SPAC Shareholders (other than Redeeming SPAC Shareholders) become Successor Company Shareholders) is a special resolution, which will be passed by the approval of not less than two-thirds of the votes of SPAC Shareholders voting in person or by proxy at the EGM.

A notice convening the EGM to be held at *[address]* on *[day]*, *[date]*, 2024 at *[time]* [a.m./p.m.], is set out on pages EGM-1 to EGM-4 of this circular.

Pursuant to the Listing Rules and the Vision Deal Articles, any vote of shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions to be considered and, if thought fit, approved at the EGM will be voted by way of poll by the SPAC Shareholders. An announcement on the poll results will be published by SPAC after the EGM in the manner prescribed under the Listing Rules.

All SPAC Shareholders and their close associates who have a material interest in the De-SPAC Transaction will be required to abstain from voting on the relevant resolution at the EGM. The Promoters have a material interest in the De-SPAC Transaction. The Promoters will be required to abstain and will procure their respective close associates to abstain from voting on resolution 1 as set out in the notice of the EGM with respect to the De-SPAC Transaction and the transactions contemplated thereunder. As at the date of this circular, the Promoters are interested in 25,250,000 SPAC Class B Shares (which represent approximately 20% of the issued shares of Vision Deal and 100% of the issued SPAC Class B Shares).

The forms of proxy for use at the EGM are enclosed with this circular and published on the websites of the Stock Exchange at www.hkexnews.hk and Vision Deal at www.visiondeal.hk. Whether or not you intend to attend the EGM, if you are a registered SPAC Shareholder, you are requested to complete and sign the enclosed forms of proxy in accordance with the instructions printed thereon and return it to Vision Deal’s Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than *[time]* [a.m./p.m.] on *[day]*, *[date]*, 2024) or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM if you so wish. If you are a beneficial owner whose SPAC Class A Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as a CCASS Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons.

LETTER FROM THE VISION DEAL BOARD

V. RECOMMENDATION

Having taken into account the reasons for the De-SPAC Transaction as set out in “E. Reasons for the De-SPAC Transaction” above, the Vision Deal Directors consider that the terms of the De-SPAC Transaction (including the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger) and the withdrawal of listing of the SPAC Class A Shares and the adoption of the Private Company Memorandum and Articles by Vision Deal are fair and reasonable and in the interests of the SPAC Shareholders as a whole.

If the De-SPAC Transaction is not approved by SPAC Class A Shareholders at the EGM or completed for any reason, (i) Vision Deal will not redeem any SPAC Class A Shares and all Share Redemption requests will be canceled; and (ii) subject to the deadlines under the Listing Rules, the listings of the SPAC Class A Shares and SPAC Listed Warrants on the Stock Exchange will be maintained; however, Vision Deal may not have sufficient time to identify another De-SPAC target and negotiate a De-SPAC transaction before it is required to wind up as provided for in the Listing Rules.

Accordingly, the Vision Deal Directors recommend the SPAC Class A Shareholders to vote “FOR” in favor of the resolutions to be proposed at the EGM to approve the De-SPAC Transaction and the transactions contemplated thereunder (including the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger), the withdrawal of listing of SPAC Class A Shares and the adoption of the Private Company Memorandum and Articles by Vision Deal EVEN IF you intend to elect to redeem some or all of your SPAC Class A Shares.

Mr. Zhe WEI (who is an individual Promoter) and Mr. Lin FENG (who is a close associate of one of the Promoters, DealGlobe) abstained from voting on the relevant resolutions of the Vision Deal Board approving the De-SPAC Transaction.

Save as disclosed above, none of the Vision Deal Directors had a material interest in the De-SPAC Transaction and the transactions contemplated thereunder and no Vision Deal Director has abstained from voting on the relevant resolutions of the Vision Deal Board.

W. CONSEQUENCES IF THE DE-SPAC TRANSACTION IS NOT APPROVED

On December 8, 2023, Vision Deal has made an announcement in relation to the De-SPAC Transaction. Vision Deal has undertaken to complete a De-SPAC transaction within 30 months of the SPAC Listing Date, being December 9, 2024.

If the De-SPAC Transaction is not approved by SPAC Class A Shareholder, Closing does not occur or the De-SPAC Transaction does not comply with the applicable Listing Rule requirements (including the requirement for the Successor Company to have a minimum number of 100 Professional Investors at the time of listing, unless a waiver from strict compliance with any of these requirements is granted by the Stock Exchange, it is intended that the listings of the SPAC Class A Shares and SPAC Listed Warrants on the Stock Exchange will be maintained, subject to the scenarios below.

LETTER FROM THE VISION DEAL BOARD

Pursuant to the Listing Rules and the Vision Deal Articles, if:

- (i) Vision Deal is unable to announce another De-SPAC transaction within 18 months of its initial listing date on June 10, 2022 or complete a De-SPAC transaction within 30 months of the listing date on June 10, 2022 (or, if these time limits are extended pursuant a vote of the SPAC Class A Shareholders and in accordance with the Listing Rules and a De-SPAC transaction is not announced or completed, as applicable, within such extended time limits); or
- (ii) Vision Deal fails to obtain the requisite approvals in respect of the continuation of Vision Deal following a material change in the Promoters or Vision Deal Directors as provided for in the Listing Rules,

(a) Vision Deal will cease all operations except for the purpose of winding up; (b) trading of the SPAC Class A Shares and the SPAC Listed Warrants will be suspended; (c) as promptly as reasonably possible, but no more than one month thereafter, Vision Deal will redeem the SPAC Class A Shares, at a per-share repurchase price not less than HK\$10.00 payable in cash, equal to the aggregate amount then on deposit in the Escrow Account calculated as of two Business Days immediately prior to the relevant extraordinary general meeting (including interest and other income earned on the funds held in the Escrow Account and not previously released to pay the Vision Deal’s expenses or taxes), divided by the number of the then issued and outstanding SPAC Shares such redemption will completely extinguish the rights of the SPAC Class A Shareholders as SPAC Shareholders (including the right to receive further liquidation distributions, if any), subject to applicable law; (d) the listing of the SPAC Class A Shares and the SPAC Listed Warrants on the Stock Exchange will be cancelled; and (e) as promptly as reasonably possible following such redemption, subject to the approval of remaining SPAC Shareholders and the Vision Deal Board, Vision Deal will be liquidated and dissolved, subject to, in the case of paragraphs (a), (c) and (e), to Vision deal’s obligations under Cayman Islands law to provide for claims of creditors and in all cases subject to the other requirements of applicable law.

In all circumstances, SPAC Class A Shareholders will be paid their HK\$10.00 per share redemption amount before SPAC Class B Shareholders have any claim on the funds in the Escrow Account.

For consequences on the Share Redemption and the Appraisal Right if the De-SPAC Transaction is not completed for any reason, see “Important Notice to SPAC Shareholders and Actions to be Taken – B. Vision Deal Redemption Right – 5. Consequences if the De-SPAC Transaction is not completed” and “Important Notice to SPAC Shareholders and Actions to be Taken – D. Appraisal Right to Dissenting SPAC Shareholders – 3. Consequences of exercising the Appraisal Right”.

LETTER FROM THE VISION DEAL BOARD

X. ACTIONS TO BE TAKEN AND FURTHER INFORMATION

Your attention is drawn to “Important Notice to SPAC Shareholders and Actions to be Taken” for details of actions which you should take as a SPAC Shareholder or a Beneficial Owner whose SPAC Class A Shares are held by a Registered Shareholder or deposited in CCASS in relation to the EGM.

Your attention is also drawn to other sections of and appendices to this circular, which contain further information the De-SPAC Transaction, the Target Group and the Successor Group and other information required to be disclosed under the Listing Rules.

By order of the Vision Deal Board
Vision Deal HK Acquisition Corp.
Zhe WEI
Chairman and Executive Director

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

A. ACTIONS TO BE TAKEN

1. Actions to be taken by the SPAC Shareholders

The forms of proxy for use at the EGM are enclosed with copies of this circular sent to the Registered Shareholders. Whether or not you are able to attend the EGM, you are strongly urged to complete and sign the enclosed form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Share Registrar of Vision Deal, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than [time] [a.m./p.m.] on [day], [date] 2024 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM if you so wish. In such event, the returned form of proxy for the EGM will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the EGM, you will still be bound by the outcome of the EGM. You are therefore strongly urged to attend and vote at the EGM in person or by proxy.

For the purpose of determining the entitlements of SPAC Class A Shareholders to attend and vote at the EGM, the register of members of Vision Deal will be closed from [day], [date] to [day], [date] (both days inclusive) and, during such period, no transfer of SPAC Shares will be effected. In order to qualify to vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar of Vision Deal, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on [day], [date]. An announcement will be made by Vision Deal in relation to the results of the EGM and, if all the resolutions are passed at the EGM, further announcement(s) will be made in relation to, among other things, the date of Closing and withdrawal of the listing of the SPAC Class A Shares on the Stock Exchange.

Voting at the EGM will be taken by poll.

2. Actions to be taken by Beneficial Owners whose SPAC Shares are held by a Registered Shareholder

No person shall be recognized by Vision Deal as holding any SPAC Shares on trust. If you are a Beneficial Owner whose SPAC Shares are registered in the name of a nominee, trustee, depositary or any other authorized custodian or third party, you should contact such Registered Shareholder to give instructions to and/or to make arrangements with such Registered Shareholder as to the manner in which the SPAC Shares beneficially owned by you should be voted at the EGM.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

If you are a Beneficial Owner who wishes to attend the EGM personally, you should: (a) contact the Registered Shareholder directly to make the appropriate arrangements with the Registered Shareholder to enable you to attend and vote at the EGM and, for such purpose, the Registered Shareholders may appoint you as its proxy; or (b) arrange for some or all of the SPAC Shares registered in the name of the Registered Shareholder to be transferred into your own name.

The appointment of a proxy by the Registered Shareholder at the EGM must be made in accordance with all relevant provisions in the SPAC Articles. In the case of the appointment of a proxy by the Registered Shareholder, the relevant forms of proxy must be completed and signed by the Registered Shareholder and should be lodged in the manner and before the latest time for lodging the relevant forms of proxy as described in this circular. The completion and return of a form of proxy for the EGM will not preclude the Registered Shareholder from attending and voting in person at the EGM. In such event, the returned form of proxy will be deemed to have been revoked.

Instructions to and/or arrangements with the Registered Shareholder should be given or made in advance of the relevant latest time for the lodgment of the forms of proxy in respect of the EGM in order to provide the Registered Shareholder with sufficient time to complete his/her/its forms of proxy accurately and to lodge them by the deadline. To the extent that any Registered Shareholder requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgment of the forms of proxy in respect of the EGM, then any such Beneficial Owner should comply with the requirements of such Registered Shareholder.

3. Actions to be taken by Beneficial Owners whose SPAC Shares are deposited in CCASS

If you are a Beneficial Owner whose SPAC Class A Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such SPAC Class A Shares with, a CCASS Participant regarding voting instructions to be given to such persons.

The procedure for voting by the CCASS Investor Participants and the other CCASS Participants with respect to SPAC Class A Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

4. Exercise Your Right to Vote

If you are a SPAC Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or to give instructions to the relevant Registered Shareholder to vote in person or by proxy at the EGM. If you keep any SPAC Class A Shares in a share lending program, you are urged to recall any outstanding SPAC Class A Shares on loan to avoid market participants using borrowed stock to vote.

In respect of SPAC Class A Shares of which you are the Beneficial Owner and which are deposited in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those SPAC Class A Shares should be voted at the EGM without delay.

If you are a Registered Shareholder holding Shares on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

B. VISION DEAL REDEMPTION RIGHT

Prior to the EGM to approve the De-SPAC Transaction, SPAC Class A Shareholders will have the opportunity to elect to redeem all or part of their holdings of SPAC Class A Shares for an amount per SPAC Class A Share equal to the Redemption Price to be paid out of the monies held in the Escrow Account.

There is no limit on the number of SPAC Class A Shares which a SPAC Class A Shareholder (alone or together with their close associates) may redeem. SPAC Class A Shareholders may elect to redeem their SPAC Class A Shares irrespective of whether they vote for or against the De-SPAC Transaction at the EGM.

Each Redeeming SPAC Share issued and outstanding immediately prior to the Effective Time will automatically be canceled and cease to exist and will thereafter represent only the right to be paid the Redemption Price in accordance with Vision Deal Articles. SPAC Class A Shareholders who elect to redeem all or part of their SPAC Class A Shares will not have any right to receive Successor Company Shares in exchange for the Redeeming SPAC Shares.

SPAC Class A Shareholders who wish to receive Successor Company Shares in exchange for their entire holdings of SPAC Class A Shares should not complete and return the Redemption Election Form. See “Letter from the Vision Deal Board – L. Effect of the De-SPAC Transaction on Shareholdings in Vision Deal and the Successor Company – 1. Exchange of SPAC Class A Shares for Successor Company Shares” for details of the procedures by which Successor Company Shares will be issued.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

1. Redemption Price

The Redemption Price, payable in cash, will be equal to the aggregate amount then on deposit in the Escrow Account calculated as of two Business Days prior to the EGM (including interest earned on the funds held in the Escrow Account and which has not previously been released or approved by the Vision Deal Board for release to Vision Deal to pay for its expenses or taxes), divided by the number of the then issued and outstanding SPAC Class A Shares, subject to the limitations and the conditions described in the Offering Circular. In accordance with the Vision Deal Articles, the Redemption Price will in any case be no less than HK\$10.00 per SPAC Class A Share, being the price at which the SPAC Class A Shares were issued pursuant to the SPAC IPO.

If, at the time the redemption payment is calculated, there is interest or other income in the Escrow Account, and such amounts have not been authorized by the Vision Deal Board for release from the Escrow Account to pay Vision Deal’s expenses or taxes as permitted by the Listing Rules, SPAC Class A Shareholders will be entitled to a pro rata share of such amounts. This would have the effect of increasing the per-share Redemption Price to an amount higher than HK\$10.00. Should the interest income be depleted by the time SPAC Class A Shareholders submit redemption requests, such Redeeming SPAC Shareholders may not be able to receive more than HK\$10.00 but only the Redemption Price of HK\$10.00 per SPAC Class A Share, which is the original amount of their investment.

If, however, such interest or other income amounts have been authorized by the Vision Deal Board for release from the Escrow Account, SPAC Class A Shareholders will have no entitlement to such amounts and their redemption payments will be limited to HK\$10.00 per Class A Share.

2. Election Period

The election period (the “**Election Period**”) for the Share Redemption starts on [*date*], being the date of the notice of the EGM and ends on [*date*] at [*time*], being the date and time of commencement of the EGM.

3. Procedure to elect for Share Redemption

Registered Shareholders

A Share Redemption election will not be accepted unless the duly completed and executed form of election Redemption Election Form is accompanied by the delivery of the share certificate(s) representing the relevant number of SPAC Class A Shares to the Hong Kong Share Registrar of Vision Deal by the end of the Election Period. The Redemption Election Form is dispatched to SPAC Class A Shareholders together with the notice of EGM and this circular.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

SPAC Class A Shareholders who are Registered Shareholders and who wish to exercise their Redemption Right and HKSCC Nominees (who may make elections in respect of the SPAC Class A Shares held by it on behalf of the relevant Beneficial Owners) must:

- (i) complete the Redemption Election Form in accordance with the instructions printed thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorized signatory) in respect of part or all of their SPAC Class A Shares registered in their names; and
- (ii) return the duly completed and executed Redemption Election Form together with the share certificates of the relevant Redeeming SPAC Shares to the Hong Kong Share Registrar of Vision Deal at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong during the Election Period but in any event so as to reach the above address by not later than [*time*] on [*date*], being the end of the Election Period, or such later date and time as may be notified by announcement published on the websites of the Stock Exchange at www.hkexnews.hk and Vision Deal at www.visiondeal.hk.

The Redemption Election Form will only be valid if, among others, the relevant SPAC Class A Shareholder duly completing and delivering it in accordance with the instructions therein is a Registered Shareholder as at the end of the Election Period.

No acknowledgement of receipt of any Redemption Election Form will be given.

A Redemption Election Form which is completed and returned may only be amended, withdrawn or revoked pursuant to the procedures described below before or by the end of the Election Period. Vision Deal reserves the right to reject any Redemption Election Form which it determines to not be duly completed or executed in accordance with the instructions therein, or containing inaccurate, incorrect, invalid or incomplete information or illegible writing, or otherwise not valid in accordance with the terms of the Redemption Right as set out in this circular or the Listing Rules. In that case, the relevant Redeeming SPAC Shareholder will receive the Successor Company Shares (but not the Redemption Price) in respect of its entire holding of SPAC Class A Shares held as of immediately prior to the Effective Time. None of Vision Deal, the Successor Company or the Hong Kong Share Registrar of Vision Deal is obliged to return the Redemption Election Form to such Redeeming SPAC Shareholder or give notice to any Redeeming SPAC Shareholder of the rejection of any Redemption Election Form and each of them hereby disclaims any and all liabilities arising from not giving such notification.

Save in the case of HKSCC Nominees, any SPAC Class A Shareholder who holds SPAC Class A Shares as a nominee, trustee or registered shareholder in any other capacity will not be treated differently from any other Registered Shareholder. A Beneficial Owner whose SPAC Class A Shares are registered in the name of a Registered Shareholder and who wishes to exercise the Redemption Right should contact such Registered Shareholder to give instructions to and to make arrangements with such Registered Shareholder as to the election.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

For the avoidance of doubt, the Redemption Election Form is not for use as a form of proxy or otherwise at the EGM. The form of proxy must be used for the purpose of voting on the relevant resolutions to approve the De-SPAC Transaction at the EGM. SPAC Class A Shareholders who have sold or transferred all of their SPAC Class A Shares should at once hand this circular and the accompanying form of proxy and the Redemption Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Redemption Election Form can also be obtained from the Hong Kong Share Registrar of Vision Deal during usual business hours on any day (other than Saturdays, Sundays or statutory holidays in Hong Kong) until the end of the Election Period.

Beneficial Owners

Any Beneficial Owner whose SPAC Class A Shares are deposited in CCASS and registered in the name of HKSCC Nominees who wishes to exercise the Redemption Right must, unless such Beneficial Owner is a person admitted to participate in CCASS as a CCASS Investor Participant, contact its broker, custodian, nominee or other relevant person who is, or has in turn deposited such SPAC Class A Shares with, a CCASS Participant as soon as possible regarding how and the deadline for giving instructions to exercise the Redemption Right.

Amendment, Withdrawal or Revocation of Redemption Election

Any request for redemption, once made by a Redeeming SPAC Shareholder, may be withdrawn at any time up to the end of the Election Period at the time of commencement of the EGM.

Redeeming SPAC Shareholders who are Registered Shareholders may make an amendment, withdrawal or revocation request by contacting the Hong Kong Share Registrar of Vision Deal. If a Redeeming SPAC Shareholder has returned its SPAC Class A Share certificate (if any) together with the Redemption Election Form to the Hong Kong Share Registrar of Vision Deal and later decides prior to the end of the Election Period not to exercise the Redemption Right, such Redeeming SPAC Shareholder may request that the Hong Kong Share Registrar of Vision Deal to return the share certificate(s).

Any Beneficial Owner whose SPAC Class A Shares are deposited in CCASS and registered in the name of HKSCC Nominees who wishes to amend, withdraw or revoke its instructions to exercise its Redemption Right must, unless such Beneficial Owner is a person admitted to participate in CCASS as a CCASS Investor Participant, contact its broker, custodian, nominee or other relevant person who is, or has in turn deposited such SPAC Class A Shares with, a CCASS Participant as soon as possible.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

4. Payment of Redemption Price

Subject to Closing having occurred, payment of the Redemption Price will be made within five Business Days following the date of Closing. On the basis that Closing is on [day, date], payment of the Redemption Price will be made on no later than [day, date].

Pursuant to the terms of the Trust Deed, the Trustee will make payment of the Redemption Price as follows:

- (i) **for Redeeming SPAC Shareholders who are Registered Shareholders as at the end of the Election Period:** the amount equal to the Redemption Price multiplied by the number of Redeeming SPAC Shares which the relevant Redeeming SPAC Shareholder validly elected to exercise the Redemption Right for will be transferred to the bank account specified by the relevant Redeeming SPAC Shareholder; and
- (ii) **for Redeeming SPAC Shareholders who are Beneficial Owners whose Redeeming SPAC Shares are deposited in CCASS and registered under the name of HKSCC Nominees as at the end of the Election Period:** the amount equal to the Redemption Price multiplied by the number of Redeeming SPAC Shares which the relevant Beneficial Owners validly elected to exercise the Redemption Right for will be transferred to HKSCC Nominee’s bank account and upon receipt, HKSCC Nominees arrange for the relevant Redemption Price amount to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In accordance with the Listing Rules, the payment of the Redemption Price to the Redeeming SPAC Shareholders will be completed within five Business Days following Closing.

5. Consequences if the De-SPAC Transaction is not completed

On December 8, 2023, Vision Deal has made an announcement in relation to the De-SPAC Transaction. Vision Deal has undertaken to complete a De-SPAC transaction within 30 months of the SPAC Listing Date, being December 9, 2024.

If the De-SPAC Transaction is not approved or completed for any reason, Vision Deal will not redeem any SPAC Class A Shares and all Share Redemption requests will be canceled. In this case, Vision Deal will arrange for the Hong Kong Share Registrar of Vision Deal to promptly return any share certificate(s) delivered by Redeeming SPAC Shareholder(s). SPAC Class A Shareholders will only be able to exercise redemption rights in connection with an extraordinary general meeting to (i) approve another De-SPAC transaction, (ii) modify the timing of Vision Deal’s obligation to announce a De-SPAC transaction within 18 months of the SPAC Listing Date or complete a De-SPAC transaction within 30 months of SPAC Listing Date, or (iii) approve the continuation of Vision Deal following a material change in the Promoters or Vision Deal Directors as provided for in the Listing Rules or if Vision Deal fails to obtain the requisite approvals.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

6. Promoters’ SPAC Class B Shares

Pursuant to the Promoter Agreement, the Promoters have agreed to waive their redemption rights with respect to their SPAC Class B Shares in connection with the De-SPAC Transaction.

7. Holders of the SPAC Warrants

The holders of the SPAC Warrants have no redemption rights with respect to such warrants. Each SPAC Warrant will be exchanged for one Successor Company Warrant upon Closing, which will be excisable on a cashless basis for one Successor Company Shares per Successor Company Warrant at the warrant exercise price of HK\$11.50.

See “Letter from the Vision Deal Board – L. Effect of the De-SPAC Transaction on Shareholdings in Vision Deal and the Successor Company – 2. Exchange of SPAC Listed Warrants for Successor Company Listed Warrants”.

C. EGM

The EGM will be held for the purpose of considering and, if thought fit, approve, the De-SPAC Transaction (including the PIPE Investments, the Permitted Equity Financing (if any), the Share Transfer and the Merger), the withdrawal of listing of the SPAC Class A Shares and the adoption of the Private Company Memorandum and Articles.

The notice convening the EGM to be held at [*address*], Hong Kong on [*time*] on [*day*], [*date*], are set out on pages EGM-1 to EGM-4 of this circular.

If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by a super typhoon announced by the government of Hong Kong is/are in force in Hong Kong at [*time*] on [*day*], [*date*], the EGM will not be held on that day but will be automatically postponed and be held at the same time and place on [*day*], [*date*] instead. SPAC Shareholders may visit Vision Deal’s website at www.visiondeal.hk for details of the postponement and alternative meeting arrangements.

The Promoters (being the holders of all SPAC Class B Shares) will abstain from voting on the ordinary resolution to approve the De-SPAC Transaction at the EGM.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

D. APPRAISAL RIGHT OF DISSENTING SPAC SHAREHOLDERS

Section 238 of the Cayman Companies Act provides for the Appraisal right of the Dissenting SPAC Shareholders who dissent to the Merger to be paid the fair value of their SPAC Shares, subject to limitations under Section 239 of the Cayman Companies Act. SPAC Shareholders have the Appraisal Right in connection with the De-SPAC Transaction under the Cayman Companies Act. SPAC Shareholders who wish to exercise their Appraisal Right must follow the statutory procedures prescribed in the Cayman Companies Act as set out in “1. Procedures for exercising the Appraisal Right” below.

As explained in “Letter from the Vision Deal Board – J. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (iv) Merger consideration”, upon the Effective Time, (i) SPAC Class A Shareholders (excluding the holders of SPAC Class A Shares issued in connection with the SPAC Class B Conversion, the Redeeming SPAC Shares and the Dissenting SPAC Shares) will have the right to receive “N” newly issued Successor Company Ordinary Share for every SPAC Class A Share they held immediately prior to the Effective Time and holders of SPAC Class A Shares issued in connection with the SPAC Class B Conversion will have the right to receive one newly issued Successor Company Share for every SPAC Class A Share they held immediately prior to the Effective Time, and (ii) Dissenting SPAC Shareholders will have the right to be paid the fair value of such Dissenting SPAC Share and such other rights as are granted by the Cayman Companies Act, or (unless and until such Dissenting SPAC Shareholder fails to perfect or withdraws or otherwise loses his, her or its Appraisal Right under the Cayman Companies Act) one newly issued Successor Company Share for every Dissenting SPAC Share.

The Vision Deal Board recommends that SPAC Class A Shareholders (i) opt for the right to receive Successor Company Shares (by not electing to exercise their Redemption Right or Appraisal Right) or (ii) if an SPAC Class A Shareholder’s preference is to receive cash rather than Successor Company Shares, to exercise their Redemption Right due to the certainty provided by the redemption process compared to the dissenting and fair value appraisal process.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

1. Procedures for exercising the Appraisal Right

Procedures under Cayman Companies Act

A SPAC Class A Shareholder who wishes to exercise its Appraisal Right must follow the following procedures prescribed by the Cayman Companies Act:

- (a) Give a written objection to Vision Deal before the EGM, containing a statement that it proposes to object to the Merger and demands payment for its SPAC Shares if the Merger is approved by the SPAC Shareholders at the EGM (a “**Written Objection**”). The Written Objection must be received by the Hong Kong Share Registrar of Vision Deal at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before [time] on [date], being the time and date of commencement of the EGM. For the avoidance of doubt, the giving of a Written Objection does not represent a vote at the EGM. SPAC Shareholders may vote for or against the De-SPAC Transaction at the EGM irrespective of whether they wish to exercise their Appraisal Right and are not required to vote against the De-SPAC Transaction at the EGM in order to exercise their Appraisal Right.
- (b) Upon receipt of the Written Objection and within 20 days immediately following the EGM, Vision Deal shall give written notice of the approval of the Merger (if it is so approved at the EGM) to each Dissenting SPAC Shareholder who gave a Written Objection.
- (c) Within 20 days immediately following the date on which the written notice of the approval of the Merger is given (the “**Dissenting Period**”), each Dissenting SPAC Shareholder must give Vision Deal a written notice of its decision to dissent (“**Appraisal Right Exercise Notice**”), stating (i) its name and address, (ii) the number and classes of SPAC Shares in respect of which it dissents, and (iii) a demand for payment of the fair value of its SPAC Shares. A Dissenting SPAC Shareholder must dissent and exercise its Appraisal Right in respect of all (and not part only) of its holding of SPAC Shares.
- (d) Within seven days immediately following the date of expiration of the Dissenting Period or within seven days immediately following the date on which the Plan of Merger is filed with the Cayman Registrar pursuant to Part XVI of the Cayman Companies Act, whichever is later, Vision Deal or the Successor Company (as applicable) will make a written offer (the “**Purchase Offer**”) to each Dissenting SPAC Shareholder to purchase its Dissenting SPAC Shares at a specified price that the Vision Deal Board determines to be the fair value of the SPAC Shares (the “**Purchase Price Offer**”). See “– 2. Fair value of SPAC Shares” below for the determination of fair value of the SPAC Shares.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

- (e) Within 30 days immediately following the date on which the Purchase Offer is made, if the Dissenting SPAC Shareholder agrees with the Purchase Price Offer, Vision Deal or the Successor Company (as applicable) will forthwith pay such amount in cash to the Dissenting SPAC Shareholder.
- (f) If the Dissenting SPAC Shareholder does not agree with the Purchase Price Offer, Vision Deal or the Successor Company (as applicable) will, and the Dissenting SPAC Shareholder may, file a petition with the Grand Court of the Cayman Islands (the "**Cayman Court**") for a determination of the fair value of the Dissenting SPAC Shares of all Dissenting SPAC Shareholders. At the hearing of such petition, the Cayman Court shall determine the fair value of the Dissenting SPAC Shares to be paid to each Dissenting SPAC Shareholder. The costs of the proceeding may be determined by the Cayman Court and taxed upon the parties as the Cayman Court deems equitable in the circumstances (i.e. the Cayman Court will determine whether the costs of the proceedings should be borne by the Dissenting SPAC Shareholder(s) and/or Vision Deal or the Successor Company (as applicable) and the amount to be borne by each party).

SPAC Shareholders who wish to exercise their Appraisal Right should seek their own advice on the application and procedure to be followed in respect of the appraisal rights under the Cayman Companies Act.

Only Registered Shareholders may exercise Appraisal Right

Only SPAC Shareholders who are registered on the register of members maintained by Vision Deal under the Companies Law as a Registered Shareholder of SPAC Shares before the EGM can serve a Written Objection. HKSCC Nominees will not undertake the procedures to exercise, and will not exercise, the Appraisal Right on behalf of Beneficial Owners. SPAC Shareholders who are Beneficial Owners holding their SPAC Class A Shares in CCASS will not be able to exercise their Appraisal Right. This means that Beneficial Owners who hold SPAC Class A Shares through CCASS who wish to exercise their Appraisal Right must first withdraw their SPAC Class A Shares from their stock account or designated CCASS Participant's stock accounts maintained with CCASS and become Registered Shareholders of the SPAC Class A Shares.

The time required for a broker, custodian, nominee or other relevant person who is, or has in turn deposited such SPAC Class A Shares with, a CCASS Participant to process the withdrawal of SPAC Class A Shares from CCASS and to transfer such shares to the name of the SPAC Class A Shareholders would vary between individual brokers, custodians, nominees or other relevant persons who are, or have in turn deposited such SPAC Class A Shares with, a CCASS Participant. In particular, the time required to withdraw SPAC Class A Shares from CCASS and to register those shares in the name of the SPAC Class A Shareholder may exceed the time between the date of this circular and the deadline under the Cayman Companies Act to give a Written Objection. There may also be charges and fees associated with the withdrawal of SPAC Class A Shares from CCASS (which may include but is not limited to the stock withdrawal fee of HK\$3.50 per board lot which CCASS charges CCASS Participants).

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

SPAC Shareholders who hold their SPAC Class A Shares in CCASS who wish to withdraw their shares in order to exercise their Appraisal Right are recommended to seek their own advice and to contact their brokers, custodians, nominees or other relevant persons who are, or have in turn deposited such SPAC Class A Shares with, a CCASS Participant on the procedure to be followed.

SPAC Shareholders who are Beneficial Owners whose SPAC Class A Shares are registered in the name of a Registered Shareholder (other than HKSCC Nominees) and who wish to exercise the Appraisal Right should contact such Registered Shareholders to give instructions to and to make arrangements with such Registered Shareholders. Such SPAC Shareholders are recommended to seek their own advice on the procedure to be followed.

2. Fair value of SPAC Shares

The Vision Deal Board has determined that the Redemption Price represents the fair value of the SPAC Shares. See "B. Vision Deal Redemption Right – 1. Redemption Price" above for details on the determination of the Redemption Price. If the Dissenting SPAC Shareholders do not agree with the fair value determined by the Vision Deal Board and file a petition with the Cayman Court for a determination of the fair value of the Dissenting SPAC Shares, the Cayman Court will determine the fair value of the Dissenting SPAC Shares as at the date of the EGM at which the Merger is approved.

3. Consequences of exercising the Appraisal Right

Notwithstanding any exercise of the Appraisal Right by Dissenting SPAC Shareholders, upon the approval of the Merger and the De-SPAC Transaction by the SPAC Shareholders at the EGM, the Plan of Merger will be filed with the Cayman Registrar and the Merger will become effective on the date of registration of the Plan of Merger (or such later date as may be set out in the Plan of Merger).

Under the Cayman Companies Act, upon giving the Appraisal Right Exercise Notice, the Dissenting SPAC Shareholder will cease to have any rights as an SPAC Shareholder (including the Redemption Right to redeem all or part of their holdings of SPAC Class A Shares) except for the Appraisal Right, the right under Section 238(12) of the Cayman Companies Act to participate fully in all proceedings until the determination of fair value is reached and the right under Section 238(16) of the Cayman Companies Act to institute proceedings to obtain relief on the ground that the Merger is void or unlawful.

Pursuant to the Business Combination Agreement, Dissenting SPAC Shareholders will also have no right to receive any Successor Company Shares or any other consideration under the De-SPAC Transaction unless and until such Dissenting SPAC Shareholder fails to perfect in accordance with the prescribed statutory procedure or withdraws or otherwise loses his/her/its Appraisal Rights under the Cayman Companies Act. The SPAC Shares held by Dissenting SPAC Shareholders who fail to perfect in accordance with the prescribed statutory procedure or who effectively withdraw or otherwise lose their Appraisal Rights under the

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

Cayman Companies Act will cease to be Dissenting SPAC Shares and will be deemed to have been converted into the right to receive newly issued Successor Company Shares upon the Merger becomes effective pursuant to the Business Combination Agreement.

Listing Rule 10.08 provides that no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of a listed issuer first commence dealing on the Stock Exchange. One of the exceptions to Listing Rule 10.08 is the issue of shares or securities pursuant to an agreement entered into before the commencement of dealing, the material terms of which have been disclosed in the listing document issued in connection with the initial public offering.

As the issuance of Successor Company Shares to Dissenting SPAC Shareholders who fail to perfect in accordance with the prescribed statutory procedure or withdraw or otherwise lose their Appraisal Rights under the Cayman Companies Act, if any, will be pursuant to the Business Combination Agreement the material terms of which have been disclosed in this circular (which is the listing document of the Successor Company), Successor Company Shares may be issued to such Dissenting SPAC Shareholders within six months from the date of Closing.

If the De-SPAC Transaction is not completed for any reason, Dissenting SPAC Shareholders will lose their Appraisal Right under the Cayman Companies Act and any Appraisal Right Exercise Notice given by Dissenting SPAC Shareholders will become void.

4. Promoters' SPAC Shares

Pursuant to the Promoters Lock-up Undertakings, the Promoters have agreed to unconditionally and irrevocably waive the appraisal rights pursuant to the Cayman Companies Act with respect to all SPAC Shares held by them with respect to the Merger.

5. Holders of SPAC Warrants

For the avoidance of doubt, holders of SPAC Warrants have no appraisal right with respect to such warrants or dissenting right with respect to the De-SPAC Transaction (including the Merger). Each SPAC Warrant will be exchanged for one Successor Company Warrant upon Closing, which will be exercisable on a cashless basis for one Successor Company Shares per Successor Company Warrant at the warrant exercise price of HK\$11.50. See "Letter from the Vision Deal Board – L. Effect of the De-SPAC Transaction on Shareholdings in Vision Deal and the Successor Company – 2. Exchange of SPAC Listed Warrants for Successor Company Listed Warrants" for details of the procedures by which Successor Company Listed Warrants will be issued.

IMPORTANT NOTICE TO SPAC SHAREHOLDERS AND ACTIONS TO BE TAKEN

E. INFORMATION AND REPRESENTATION

This circular is for information purposes only and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM of Vision Deal to be held on [date], 2024 at [time] [a.m./p.m.]. This circular also constitutes the listing document of Quwan Holding Limited, which is the Successor Company on completion of the De-SPAC Transaction. This circular does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Vision Deal or the Successor Company.

Neither Vision Deal, the Target Company, any of their directors and advisors, the Sole Sponsor, the Sponsor-Overall Coordinator or any other persons or parties involved in the De-SPAC Transaction has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this circular. No representation is made that there has been no change or development reasonably likely to involve a change in the affairs of Vision Deal or the Target Company since the date of this circular or that the information contained in this circular is correct as at any date subsequent to its date.

F. NOTICE TO U.S. SHAREHOLDERS

This exchange offer or business combination is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in this circular have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer of the securities is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court’s judgment.

RISK FACTORS

There are risks associated with the De-SPAC Transaction and an investment in the Successor Company’s securities. If the De-SPAC Transaction is completed, the Successor Company will operate in a market environment that is difficult to predict and that involves significant risks, many of which will be beyond its control. You should carefully consider the following risk factors, together with all of the other information included in this circular, before you decide whether to vote or instruct your vote to be cast to approve the proposals described in this circular.

The occurrence of one or more of the events or circumstances in these risk factors, alone or in combination with other events or circumstances, may adversely affect the ability to complete or realize the anticipated benefits of the De-SPAC Transaction, and may have a material adverse effect on the business, financial condition, results of operations, development prospects and trading price of the Successor Company following the De-SPAC Transaction. The risks discussed below may not prove to be exhaustive and are based on certain assumptions made by Vision Deal and Target Group, which later may prove to be incorrect or incomplete. Vision Deal and Target Group may face additional risks and uncertainties that are not presently known to them, or that are currently deemed immaterial, but which may also ultimately have an adverse effect on any such party or on the De-SPAC Transaction. If any of the events, contingencies, circumstances or conditions described in the following risks actually occur, the Successor Company’s business, financial condition or results of operations could be seriously harmed. If that happens, the trading price of the Successor Company Shares and the Successor Company Listed Warrants or, if the De-SPAC Transaction is not consummated, the SPAC Class A Shares and the SPAC Listed Warrants, could decline. You should also note that the De-SPAC regime in Hong Kong is new, and there is limited number of securities listed for trading through a De-SPAC transaction in history. Consequently, there is a greater degree of risk and uncertainty in an investment in the Target Company, than there would be in the case of an investment in securities of a company which seeks listing through an initial public offering.

In this section, “we,” “us” or “our” refer to Quwan Holding Limited (趣丸集团) (the “Target Company”), its subsidiaries, and Consolidated Affiliated Entities (together, the “Target Group”).

RISKS RELATED TO THE TARGET GROUP’S BUSINESS AND INDUSTRY

We may not be able to successfully maintain and increase our user base and user engagement. If we fail to retain our existing users and further grow our user base, or if user engagement on our platform declines, our business and operating results may be materially and adversely affected.

The size of our user base and the levels of our user engagement are critical to our success. Our average MAUs increased by 37.5% from 12.3 million in 2020 to 16.8 million in 2021, and decreased by 17.9% to 13.8 million in 2022. Our average MAUs decreased by 15.4% from 14.9

RISK FACTORS

million in the six months ended June 30, 2022 to 12.6 million in the same period of 2023. An important component of our business model is matching our users with game buddies accurately and timely by our algorithm. The more users we have and the higher their levels of engagement are, the more data our algorithm can leverage and the smarter it will be. Therefore, if we fail to retain our existing users, to attract new users or to keep our users engaged, we may not be able to provide our users with satisfactory matching experience, and our business and operating results will be materially and adversely affected.

In addition, we generate our revenues from consumption of virtual items given between our users. The number of our average MPUs increased by 50.0% from 643.9 thousand in 2020 to 965.6 thousand in 2021, and further by 3.6% to 1,000.3 thousand in 2022. Our average MPUs decreased by 18.2% from 1,096.0 thousand in the six months ended June 30, 2022 to 897.0 thousand in the same period of 2023. Therefore, if our user base decreases or stops growing, our users become less active or interested, or the quality and quantity of our user base deteriorate, it is probable that they would spend less on our platform or access our platform less often in general. As a result, our business, financial condition and results of operations will be materially and adversely impacted.

We experienced fluctuations in the number of our users and in the user engagement levels due to seasonality, market trend, regulatory environment, unexpected events, and other factors. We may continue to experience fluctuations in our user base or user engagement levels in the future. A number of factors could negatively affect user retention, growth and engagement, including if:

- we fail to make or keep our users interested in the diverse entertainment scenarios we offer;
- we fail to identify key changes in user preferences in a timely manner or effectively respond to changing user preferences;
- we fail to provide a satisfactory game buddy matching experience for gamers on our platform;
- our promotional expenses increase as a result of the increased traffic acquisition costs;
- we fail to introduce new and improved services, or if we introduce services that are not favorably received by users, especially the gamers;
- we fail to keep pace with changes in technologies;
- technical or other problems prevent us from delivering our services in a rapid and reliable manner or otherwise adversely affect the user experience;
- we suffer from negative publicity, fail to maintain our brand or if our reputation is damaged;

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- we fail to address user concerns related to privacy and communication, safety, security or other factors; and
- there are adverse changes in our services that are mandated by, or that we elect to make to address, legislation, regulations or government policies.

Our monetization may not remain effective, and we cannot guarantee that our monetization strategies will be successfully implemented or generate sustainable revenues and profit.

We operate our social network platform using a revenue model whereby users can get free access to most functions on our platform and have the options to purchase virtual items to gift to other users on our platform. We have generated, and expect to continue to generate, our revenues primarily from users’ consumptions of virtual items on our platform. Our revenues are predominantly generated by users’ consumption of virtual items in relation to our value-added services and audio entertainment services. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our value-added services and audio entertainment services collectively accounted for 95.1%, 97.2%, 98.4%, 98.8% and 97.9% of our total revenues, respectively. Our revenues and results of operations depend on our ability to convert more users to paying users and to increase their spending. Whether we can increase the number of paying users and average spending generated per paying user depends on many factors, and many of them are out of our control. For example, our users may be unwilling to pay for our services, we may fail to develop new services that are attractive enough to our existing paying users for them to pay, we may need to adjust our services due to development of applicable laws, regulations, regulatory schemes or policies, our paying users may have less disposable income as they need to meet financial obligations elsewhere, our paying users may no longer find our existing value-added services attractive or useful enough to purchase, and overall worsening economic conditions can lower disposable income for all existing paying users, causing them to spend less on our platform. We expect that our business will continue to be significantly dependent on revenue collected from paying users in the near future. Any decline in the number of paying users or average spending generated per paying user may materially and adversely affect our results of operations. Although our business has experienced significant growth in recent years, we may not achieve a similar growth rate in the future, as the user demand for this service may change, decrease substantially or dissipate, or we may fail to anticipate and serve user demands effectively.

Although we design the virtual item systems on our platform based on our knowledge about users’ preferences and behavior, there can be no assurance that users will continue to purchase and use our virtual items. If users’ spending habits change and they choose to only access our platform for free without additional purchases, we may not be able to continue to successfully implement the virtual item-based revenue model for our platform, in which case we may have to develop other value-added services or products to monetize our user base. We cannot guarantee that our attempts to monetize our user base will continue to be successful, profitable or widely accepted, and therefore the future revenue and income potential of our business are difficult to evaluate.

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In addition, some of our current monetization methods such as host-driven audio entertainment are relatively recent innovations and their long-term sustainability has not been tested. Meanwhile, we will continuously explore new monetization methods and user retention strategies, which may or may not be a success. We cannot assure you that our efforts will continue to achieve satisfactory results. Neither could we assure you that our ongoing and future attempts to innovate our communities and monetize our users will always be successful, profitable or accepted, and therefore the income potential of our business is difficult to gauge.

Our efforts to develop and provide our users with new features and services may not be successful.

The industry in which we operate is evolving rapidly and users expect to see new features and experience new services offered by us within a relatively short period of time. However, developing and integrating new services and features could be expensive and time-consuming, and these efforts may not yield the benefits we expect to achieve at all. Over the years, we have been continually upgrading our *TT Chat* platform. We have made *TT Chat* platform a decentralized social entertainment platform that offers various user diversified social entertainment scenarios such as online dating, karaoke and role-play dubbing, as well as various in-app mini casual social games. We may continue to introduce significant changes to our existing services or develop and introduce new and unproven services and features. If new or enhanced services fail to attract or retain users, our operating results and financial performance may be materially and adversely affected.

We face risks and uncertainties regarding the growth of the industry we are in and market acceptance of our platform and services, and our limited operating history with a relatively new business model in a rapidly evolving market could make it difficult to evaluate our business and growth prospects.

The growth of our industry and the level of demand and market acceptance of our platform and services are subject to a high degree of uncertainty. Our future operating results will depend on a number of factors, some of which are beyond our control. These factors include:

- the growth of mobile internet user base in our target markets;
- the demand for mobile social networking and entertainment in our target markets;
- user consumption behaviors;
- the popularity of Esports among our target users;
- user acceptance of the “many-to-many” mobile voice-based interaction model or other interaction models that we offer, as compared to other forms of online interaction;
- general economic conditions, which would affect discretionary spending on social networking and entertainment; and
- the availability and popularity of other forms of online and mobile entertainment which may compete with us.

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Our *TT Chat* app commenced operations in 2014 and we have since experienced a rapid growth in our user base and user spending. However, our growth in recent years may not be indicative of our future performance, as our operating results represent a limited size of samples of operating results and may be hard to repeat in the future.

Many of the elements of our business are unique and evolving. The markets for interest-driven mobile social platforms are rapidly developing and are subject to significant challenges, especially in terms of maintaining a stable paying user base and attracting new paying users, complying with changes in regulatory requirements on minor protection, online audio content and social interactions, as well as adapting to the regulatory developments affecting the mobile game industry. There is no guarantee that we may succeed in adapting to such changes in the markets. In addition, any new and experimental functions or services that we may develop and launch in the future may not be well received by our targeted users and may be affected by adverse industry trends such as evolving development, interpretation and implementation of applicable laws and regulations. See “– We are subject to regulations on online social networking and entertainment platforms, and failure to comply with the regulations may materially and negatively affect our reputation, business, financial condition and results of operations.”

If we fail to keep up with technological developments and evolving user expectations, we may fail to maintain or attract users, and our business and operating results may be materially and adversely affected.

We operate in a market characterized by rapidly changing technologies, evolving industry standards, new product and service announcements, new generations of product enhancements and changing user expectations. Accordingly, our performance and the ability to further monetize the services on our platform will depend on our ability to adapt to these rapidly changing technologies and industry standards, and our ability to continually innovate in response to both evolving demands of the marketplace and competitive services. There may be occasions when we may not be as responsive as our competitors in adapting our services to changing industry standards and the needs of our users.

Introducing new technologies into our systems involves numerous technical challenges, substantial amounts of capital and personnel resources and often takes many months to complete. For example, the market for mobile devices in China is highly fragmented, and the lower resolution, functionality, operating system compatibility and memory currently associated with the kaleidoscopic models of mobile devices in the Chinese marketplace may make the use of our services through these devices more difficult and impair the user experience. We intend to continue to devote resources to the development of additional technologies and services. We may not be able to effectively integrate new technologies on a timely basis or at all, which may decrease user satisfaction with our services. Such technologies, even if integrated, may not function as expected or may be unable to attract and retain a substantial number of mobile device users to use our *TT Chat* platform. We also may not be able to protect such technology from being copied by our competitors. Our failure to keep pace with rapid technological changes may cause us to fail to retain or attract users or generate revenues, and could have a material and adverse effect on our business and operating results.

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If we are unable to compete effectively for users or user engagement against our current or potential competitors, our business and operating results may be materially and adversely affected.

Our major competitors primarily include other mobile social networking and entertainment platforms with an established presence in the industry, as well as potential new market entrants. Our competitors may have substantially more financial, user base, technological and other resources, as well as broader service or products offerings and can leverage their relationships to other service or products to gain a larger share of marketing budgets. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance.

To better compete with competitors that may have more financial, user base, technological or other competitive advantages than us, we may be required to spend additional resources, which may adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users. Any legal proceedings or measures we take in response to competition and disputes with our competitors may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our services compared to those of our competitors, and the research and development abilities of us compared to our competitors;
- changes mandated by, or that we elect to make to address, legislation, regulations or government policies, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to monetize our services;
- our ability to attract, retain and motivate talented employees;
- our ability to manage our operations cost-effectively; and
- our reputation and brand strength compared to our competitors.

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Our platform competes against other forms of social networking as well as other forms of entertainment for the discretionary time and spending of our users. Other forms of social networking, including traditional face-to-face socialization, text-based social networking tools or other interest-driven social networking platforms, may be perceived by our users to offer more familiar or more enjoyable companionship. Other forms of entertainment, such as online video streaming, traditional PC and console games, as well as more traditional mediums such as television, movies and sports, are much more well-established in mature markets and may be perceived by our users to offer greater variety, affordability, interactivity and enjoyment. If we are unable to sustain sufficient interest in our platform in comparison to other forms of social networking or other forms of entertainment, including new forms of social networking and entertainment that may emerge in the future, our business model may no longer be viable.

If we fail to cope with changes in popularity of games, and if availability of popular games is limited for any reason, our financial condition and results of operations may be materially and adversely affected.

Gamers of a limited number of popular games contribute significantly to the user traffic on our platform. For example, the number of our average daily active voice chatrooms where users played *Honor of Kings* and other games reached over 347,500 in the six months ended June 30, 2023. Although we do not rely upon any licenses granted by game publishers and developers to operate our platform and provide our social entertainment services to our users, if availability of these popular games is limited for any reason, and if the game publishers and developers fail to obtain new licenses (if any) or such games are suspended from operation, the user engagement on our platform will be materially affected, and our operating results will be materially and adversely affected. For example, pursuant to the Notice of on Further Strengthening Regulation to Effectively Prevent Online Gaming Additions among Minors (《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》), the PRC government limits online gaming time for minors to an hour per day from 8 p.m. to 9 p.m. on Friday, Saturday, Sunday and legal holidays in the PRC starting from September 1, 2021 and all online games are required to be connected to the online game anti-fatigue compliance system and a real-name registration system of the PRC government. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, on average every month we have 14,491, 23,531, 49,263, 46,678 and 31,362 active users who had been identified as under the age of 18 based on their real name authentication, which respectively accounts for 0.12%, 0.14%, 0.36%, 0.31% and 0.25% of our MAUs in the year of 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023. In the future, the PRC government may continue to introduce additional restrictions on the online gaming industry in ways that adversely affect our users’ engagement with our platform.

We provide customized matching mechanisms, chat room features, and promotion events tailored for some popular online games to enhance our users’ gameplay experience. If we fail to upgrade these mechanisms, features and functions to adapt to the development of popular games and predict and address the preference of their players, or if we fail to roll out new mechanisms, features and functions that fit new popular games, we may not be able to successfully maintain and increase the number of our users and deepen their engagement.

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Our business depends on our ability to attract and foster a vibrant community of hosts.

Hosts play an important role in enhancing user experiences by encouraging social interactions among users in social entertainment scenarios, which effectively improves our monetization efficiency. Although there are no concentration and reliance on top hosts on *TT Chat*, the number of hosts on *TT Chat* as of June 30, 2023 reached over 442,500, and the number of guilds reached 210 as of the same date. We face significant competition for hosts. Our agreements with guilds usually include non-compete terms to prevent the guilds from inducing our hosts to join competing platforms. See “Business of the Target Group – Our Platforms – the *TT Chat* Social Experiences – Host and guilds on our platform” for details about our arrangements with hosts and guilds. If we are unable to attract and maintain our relationship with the hosts and guilds, our operating results and financial performance may be adversely affected.

In addition, the costs attributed to the revenue sharing fees with hosts have increased in China during the past few years for companies that provide audio entertainment services. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded revenue sharing fees of RMB432.6 million, RMB922.3 million, RMB1,296.6 million, RMB632.1 million and RMB608.9 million, respectively. If we are unable to manage such revenue sharing fees, we may incur more costs or otherwise lose opportunities to retain hosts on our platform. In addition, the compensation we pay to the hosts could significantly increase our cost of revenues and materially adversely affect our financial condition and results of operations.

We recorded net losses for the year ended December 31, 2020 and 2021, and we may not be able to achieve or maintain profitability.

During the Track Record Period, we recorded net profits of RMB509.3 million, RMB289.4 million and RMB180.6 million in 2022 and the six months ended June 30, 2022 and 2023, respectively, and net losses of RMB154.0 million and RMB2,495.5 million in 2020 and 2021, respectively. We believe that our future abilities to achieve profitability will depend on factors that are beyond our control. Accordingly, you should not rely on our historical results of operations as an indication of our future performance. In addition, we expect to incur substantial costs and expenses as a result of being a public company. Specially, we expect to engage professional parties such as independent auditor, legal counsel and printing service providers to fulfill our continued listing requirements and on-going compliance requirements under the relevant listing rules. We also plan to appoint independent directors who we expect to pay reasonable amount of compensations. If we are unable to generate adequate revenues and manage our costs and expenses, we may continue to incur net losses in the future, and we may not be able to achieve or subsequently maintain profitability.

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We are subject to regulations on online social networking and entertainment platforms, and failure to comply with the regulations may materially and negatively affect our reputation, business, financial condition and results of operations.

In August 2018, the National Office of Anti-Pornography and Illegal Publication, or the NOAPIP, the Information and Communication Administration, Ministry of Industry and Information Technology of the PRC (the “MIIT”), the Ministry of Public Security, the Ministry of Culture and Tourism, the National Radio and Television Administration (the “NRTA”) and the Cyberspace Administration of China jointly issued the Notice on Strengthen the Management of Live Streaming Service (《關於加強網絡直播服務管理工作的通知》), which required a real-name registration system for users to be put in place by live streaming service providers. Under this real-name registration system, we validate the identity information of the registered users primarily based on their mobile numbers. Currently, we are not required to obtain information such as legal names, citizen identification cards or other personal information during the registration process to validate the identity information of our users unless they are engaged hosts and/or withdraw the points or system detects other risky scenarios. However, the PRC government may further amend the real-name registration requirements or require us to implement a more thorough compulsory real-name registration system for all users on our platform, potential users may be deterred from registering with our platform, which may in turn negatively affect the growth of our user base and prospects.

In November 2020, the NRTA promulgated the Notice on Strengthening the Management of Online Show Live Broadcasting and E-commerce Live Broadcasting (《關於加強網絡秀場直播和電商直播管理的通知》) (the “Notice 78”). In February 2021, the National Internet Information Office, the NOAPIP, the MIIT, Ministry of Public Security, the Ministry of Culture and Tourism, the SAMR and the NRTA promulgated the Guiding Opinion on Strengthening the Management of Online Live Broadcasting (《關於加強網絡直播規範管理工作的指導意見》) (the “Notice 3”). Notice 78 and Notice 3 set forth requirements for platforms providing online show live broadcasting, e-commerce live broadcasting and online live broadcasting as well as requirements for certain live broadcasting businesses with respect to real-name registration, limits on user spending on virtual gifting, restrictions on minors on virtual gifting, live broadcasting review personnel requirements, content tagging requirements, and other requirements. However, neither “online show live broadcasting” nor “online live broadcasting” is currently defined under Notice 78 and Notice 3. Unlike online live video broadcasting platforms that are typically subject to Notice 78 and Notice 3, our platform is a mobile voice-based social network platform which primarily operates voice chatrooms and social networking businesses. The applicability and implementation standards of Notice 78 and Notice 3 are subject to amendments, changes and interpretation. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized or inquired by the relevant government authorities concerning our compliance with Notice 78 and Notice 3. Based on our consultations with the Radio and Television Administration of Guangdong Province (the “Guangdong RTA”) on May 5, 2023 and the NRTA on July 20, 2023, (i) Guangdong RTA and the NRTA are the competent authorities responsible for regulating the internet audio-visual program business, and the responding officials of such authorities in the consultations are competent to giving the relevant confirmations; (ii) neither Notice 78 or

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Notice 3 provides clear penalty rules; if any entity violates Notice 78 or Notice 3, it will be notified to rectify such non-compliance, and no penalty will be imposed under Notice 78 or Notice 3 as long as such entity completes the rectification on time. Based on such consultations, our PRC Legal Advisor is of the view that (i) the responding officials in the consultations are competent to represent the relevant authorities giving the relevant confirmations; and (ii) the likelihood that we would be penalized by the competent radio and television regulatory authorities under Notice 78 and Notice 3 in the event we are not in compliance is low as long as we could rectify such non-compliance on a timely manner as required by the relevant radio and television regulatory authorities in the event if we receive relevant rectification notice. Moreover, should we be deemed by relevant authorities to be subject to Notice 78 or Notice 3 in the future, we might need to take further action in order to comply with such regulations, which may have an adverse impact on our business and results of operations. In addition, any further rule-making under Notice 78 and Notice 3 or other intensified regulation with respect to live streaming may increase our compliance burden in the relevant business, and may have an adverse impact on our business and results of operations.

We have received rectification orders from relevant PRC regulators in the past. See “– *TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may adversely affect our reputation, business, financial condition and results of operations” and “– The success of our business model is contingent upon our ability to provide a safe online environment for minors to experience and if we are not able to continue to provide a safe environment, our business will suffer dramatically.” We also do not have full control over the behaviors of our users and the content generated by them, and therefore cannot assure you that our platform would not be misused by others to engage in illegal or inappropriate activities. Due to further developments in the evolving regulatory regime in the PRC, as well as amendments and changes in the interpretation thereof, we may be subject to amended implementation of applicable regulations in the future and additional restrictive measures may be imposed upon our platform. Such developments in regulatory regime may adversely affect our results of operations and financial performance. Accordingly, we may be required to change our business strategies, substantially change the functions of our products, impose restrictions on user behaviors and content creation, or adjust our monetization methods. Also, we cannot assure you that our new products or features will meet the requirements of governmental authorities in China in a timely manner, or at all.

Our content monitoring system may not be effective in preventing misconduct by our users and misuse of our platform, and such misconduct or misuse may materially and adversely impact our business, financial condition and results of operations.

Our platform allows users to engage in voice-based interactions with each other and enjoy audio streaming and other social entertainment, among others. Our platform provides a virtual space for our users to discuss, share, comment and express themselves. Because we cannot guarantee that our control measures in place will be effective in controlling the activities conducted by our users and the content generated by them in real time, our platform may be misused by others to engage in illegal or inappropriate activities, or other activities that require

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permits, licenses or approval from the governmental authorities. If any illegal, inappropriate or unauthorized content is found on or linked to our platform, we as the service provider may be held liable for infringement of the rights of our hosts or users or violation of relevant PRC laws and regulations. The government may impose other legal sanctions against us, including, in serious cases, suspending or revoking the licenses needed to operate our platform.

We have deployed algorithm-based technologies and intelligent content-screening machines provided by third-party suppliers, supplemented by our employees and qualified staff outsourced from third parties, to identify and regulate illegal, fraudulent or inappropriate content or activities on our platform. See “Business of the Target Group – Content Management and Monitoring.” If our intelligent system fails to interpret the improper meaning of certain content, or if our monitoring team makes incorrect decisions as to the legality of certain content, illegal or unauthorized content may become accessible to our users via our platform and expose us to various risks, which may materially and adversely impact our reputation, brand image, business, financial condition and results of operations.

Despite our efforts to monitor content on our platform and the activities of the hosts and users, our platform was previously subject to rectification orders imposed by the government authority in the past, including notifying Apple’s and Android’s App Stores to suspend the downloading of our *TT Chat app*. See “– *TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may adversely affect our reputation, business, financial condition and results of operations.” As a result of such incidents, we have adopted a more stringent content monitoring system to meet the regulatory standards and to screen and remove inappropriate content on our platform. However, we cannot assure you that our content monitoring system is sufficient to detect all improper or illegal content or activities promptly in the future. We cannot assure you that we will not be subject to rectification orders, fines and other penalties in the future for improper or illegal content or activities on our platform. Moreover, our continued regulatory compliance efforts in this regard may be costly, as they may divert a significant amount of management time and financial resources. If we fail to effectively prevent misconduct by our platform users and misuse of our platform, our reputation, business, financial condition and results of operations may be materially and adversely affected.

***TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may adversely affect our reputation, business, financial condition and results of operations.**

We received rectification orders from relevant PRC regulators in the past. For instance, in August 2019, the CAC, notified Apple’s and Android’s App Stores to suspend the downloading of our *TT Chat app*, mainly because certain content was, as of such time, considered inappropriate by the relevant governmental authority. During this period, we were required to adopt enhanced measures to improve our content monitoring system and suspend the *Moments* function. Subsequently, we submitted a report to CAC on the enhanced measures taken by us, including establishing a more comprehensive training mechanism for our content

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monitoring team, improving our AI-enabled content monitoring technologies and increasing manual monitoring workforce to enhance content monitoring. CAC lifted the suspension on downloading of our *TT Chat* app in late November 2019 after our adoption of the requested enhanced monitoring measures. In February 2022, the CAC notified Apple’s and Android’s App Stores to suspend the downloading of our *TT Chat* app mainly because, among others, *TT Chat* app, was deemed by relevant authorities to possess relatively strong public opinion attributes and social mobilization capabilities and to not have completed and cleared requisite security assessment with the relevant authorities. In January 2023, the suspension on downloading of our *TT Chat* app was lifted after we performed rectification measures and completed and cleared requisite security assessment with the relevant authorities. In response to this suspension, we took rectification measures to strengthen our (i) management system construction, (ii) information source management capabilities, (iii) information content moderation and management capabilities, (iv) information release management capabilities, (v) user security management capabilities, (vi) capabilities of monitoring, early warning and responding to emergencies, (vii) capabilities of reviewing audio information, (viii) capabilities of managing instant messages and (ix) capacity-building for automated information screening. See “Business of the Target Group – Content Management and Monitoring” for more details. We do not expect these rectification measures adopted to have any material adverse impact on our operations and financial performance going forward. Due to such suspensions, the growth of user base and usage of *TT Chat* app were adversely affected during these suspension periods. During the Track Record Period and up to the Latest Practicable Date, our other apps operated by Guangzhou Shabake, one of our Consolidated Affiliated Entities, were not suspended or subject to any penalties. As a result, our average MAUs decreased from 16.8 million in 2021 to 13.8 million in 2022. See “Business of the Target Group – Content Management and Monitoring.” Our *TT Chat* app is currently available for download in all major app stores. During the Track Record Period and as of the Latest Practicable Date, no administrative penalties were imposed upon us regarding network security, data security or personal information protection by any relevant authorities. If non-compliance with PRC laws and regulations occurs again in the future or if the PRC government undertakes further actions against our mobile apps, our mobile apps may again be suspended from all app stores for an indefinite time, and we may be subject to other rectification orders or penalties and heightened regulatory scrutiny in the PRC, thereby having an adverse impact on our business, financial condition and business prospects.

If we fail to obtain or maintain the required regulatory licenses and approvals or if we fail to comply with laws and regulations applicable to our industry, our business, financial condition and results of operations may be materially and adversely affected.

Our business is subject to regulation by various governmental authorities in China, including the CAC, the Ministry of Industry and Information Technology, the Ministry of Culture and Tourism, the NRTA, as well as the corresponding local regulatory authorities. Such governmental authorities promulgate and enforce laws and regulations that cover a variety of business activities related to our operations. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses, and permits for, the relevant business activities.

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The interpretation and implementation of existing and future laws and regulations is subject to amendments and changes and still developing. The regulatory licenses we held may not be sufficient to meet regulatory requirements, which may restrain our ability to conduct and expand our business and may subject us to fines or other regulatory actions by relevant regulators if our practice is deemed as violating relevant laws and regulations. As we further develop and expand our business, we may need to obtain additional qualifications, permits, filings, approvals or licenses. Moreover, we may be required to obtain additional licenses or approvals if the PRC government adopts new policies or regulations for our industry.

For example, according to the PRC Administrative Provisions on Internet Audio-visual Program Services (《互聯網視聽節目服務管理規定》), a provider of online audio-visual program service is required to obtain an AVSP License. According to the Notice 3, the live broadcasting platform conducting online audio-visual program service should either hold an AVSP License or register in the National Internet Audio-visual Platform Information Management System. See “Regulations – Regulations Related to Online Transmission of Audio-Visual Programs.” Our group member, Huayu Tianxia, holds a valid AVSP license. In addition, we have applied for the Audio-visual Registration of *TT Chat* app. Our application has been reviewed by Guangdong RTA and is currently subject to the review of the NRTA. Based on our consultation with Guangdong RTA on May 5, 2023, (i) Guangdong RTA is the local competent authority responsible for regulating the internet audio-visual program business, and the responding official of Guangdong RTA in the consultation is competent to giving the relevant confirmation; (ii) after the registration in the National Internet Audio-visual Platform Information Management System, the provider of online audio-visual program service will be subject to supervision and will be deemed as qualified to provide audio-visual program services; and (iii) since our Audio-visual Registration of *TT Chat* app is already in the aforementioned process, we are currently subject to supervision and we can carry out our principal business operations through *TT Chat* app. Based on such consultation, our PRC Legal Advisor is of the view that (i) the responding official in the consultation is competent to represent the relevant authority giving the relevant confirmation; and (ii) since our Audio-visual Registration of *TT Chat* app is already in the aforementioned process, we could carry out our abovementioned principal business through *TT Chat* app.

However, we also carry out the above business through other apps maintained by certain of our entities. We have not yet applied for the Audio-visual Registration of such apps with respect to their operations yet. The aggregated amount of top-up made through such apps on *TT Chat* platform, namely Huanyou app (歡遊), Mijing app (謎境) and Mic app (麥可), amounted to 8.6%, 0.8%, 11.2% and 15.4% of our total amount of top-up of our platform in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. The aggregated revenue of such unregistered apps that are not a part of *TT Chat* platform, namely Uki, Singduck (唱鴨), Shengdong (聲洞) and TiTi Dianjing (提提電競), amounted to 2.7%, 3.1%, 6.5% and 5.9% of our revenue in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. Shengdong (聲洞) and TiTi Dianjing (提提電競) have already been terminated due to our business adjustments. Based on our consultation with the NRTA on July 20, 2023, (i) after the registration in the National Internet Audio-visual Platform Information Management System, the provider of online audio-visual program service will be subject to supervision and will be deemed as qualified to provide audio-visual program services; (ii) since

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our Audio-visual Registration of *TT Chat* app is already in the aforementioned process, we are currently subject to supervision and *TT Chat* app is capable of normal operations during this interim period, which would not incur penalties for the AVSP License; (iii) while the administrative scheme of Audio-visual Registration is being gradually advanced and improved, under current practice, flagship app of top-tier platform such as *TT Chat* app is eligible for such Audio-visual Registration, whereas other ancillary apps maintained by the Group are not eligible for such registration; (iv) our other ancillary apps can currently be operated normally, provided that we meet the relevant content compliance requirements, unless we receive the notification from the relevant local radio and television regulatory authorities that the Audio-visual Registration is open to such ancillary apps, in which case we would proceed with the application process accordingly. Furthermore, our Directors confirm that, upon the date of the aforementioned consultation and up to the date of this circular, the *TT Chat* app and our other ancillary apps have met the relevant content compliance requirements in all material aspects. Based on the above, our PRC Legal Advisor is of the view that: (i) since our Audio-visual Registration of *TT Chat* app is already in the process, *TT Chat* app is capable of normal operations during this interim period, which would not incur penalties for the AVSP License; (ii) other ancillary apps of us can currently be operated normally in all material aspects, unless we receive the notification from the relevant local radio and television regulatory authorities that the Audio-visual Registration is open to such ancillary apps, in which case we would proceed with the application process accordingly.

However, the relevant provisions of PRC laws and regulations are subject to amendments, changes and interpretation, and the PRC government may promulgate new laws and regulations or have new interpretations to further regulate online audio-visual program service. If we fail to ensure compliance with such new interpretation or laws and regulations accordingly, our business may be subject to uncertainties and restrictions, and we may be required to rectify within a limited period of time and subject to fines, confiscation of equipment engaged in illegal activities, suspension of our services or other penalties, which may materially and adversely affect our business, financial conditions and results of operations.

In addition, the relevant government authority may interpret and implement the requirement of the relevant provisions of PRC law differently under the Telecommunication Industry Classification Catalog (2015 version) (《電信業務分類目錄(2015版)》) and the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》). If we were found to be in violation of any PRC laws or regulations due to the insufficient scope of our ICP license with respect to *Uki* app, or other apps we may operate in the future, we may be required to rectify within a limited period of time and subject to fines, confiscation of illegal gains, or suspension of our services or other penalties, which may adversely affect our business, financial condition and results of operations. Nevertheless, since Uki Group holds the ICP license including the internet information service in its authorized scope and has passed the security assessment with the relevant cyberspace administration, Uki Group could conduct its above-mentioned principal business in a compliant manner in all material aspects without being compelled to include the instant information interaction service in the authorized scope of the ICP license as of the Latest Practicable Date.

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According to the Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》) and the Notice on the Administration over Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》), an online game is required to be pre-approved by the NPPA before being published and operated online. At present, there are some in-app casual social games structured and presented with HTML5, or H5, standard embedded within our voice chatrooms on apps accessible to users. Those in-app casual social games are provided free of charge for the purpose of enriching social experience and attract traffic, and do not have any payment functions, such as purchasing game equipment, skins or other items. Based on our consultation with the NPPA via official consultation hotline, (a) whether a game needs to obtain pre-approval from NPPA for online game publishing depends on multiple factors, including: (i) whether it is an online game operated for the general public, (ii) whether there is money transaction such as payment or monetization of game equipment, (iii) whether the nature of the game has a high possibility of non-compliance (for example, the gambling game); and (b) as our in-app casual social games is mainly focused on the gamer-based social attribute, and are provided free of charge for the purpose of enriching social experience and attract traffic without any payment functions, such games are currently unlikely to be required to obtain the pre-approvals of online game publishing from the NPPA. However, the relevant provisions of PRC laws and regulations are subject to amendments, changes and interpretation, and the PRC government may promulgate new laws and regulations to further regulate online game publishing, which may require our in-app casual social games to obtain the pre-approval of online game publishing by the NPPA, we may be subject to fines, removal of relevant online publishing games, confiscation of illegal gains and main equipment and special tools engaged in illegal activities, suspension of our services or other penalties, which may adversely affect our business, financial condition and results of operations.

We used to engage in the game distribution business in China, of which the regulatory requirements have changed in recent years. According to the relevant laws and regulations, (i) the MOCT no longer undertakes the responsibility for the administration of the online game industry, and the cultural administrative authorities have no longer approved or issued the ICB Licenses within the business scope of 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; and (ii) the Interim Measures for the Administration of Online Game (《網絡遊戲管理暫行辦法》), which require any entity engaged in these online games operating activities to obtain an ICB License, was abolished on July 10, 2019. We conducted telephone consultations with the MOCT and the Publicity Department of the Central Committee of the Communist Party of China, or the Publicity Department, via the official consultation hotlines. Based on such consultations, (i) the MOCT has no longer undertaken the responsibility for the administration of the online game industry, and the supervision responsibility of the online game industry has been undertaken by the Publicity Department; (ii) any entity engaged in online game operating activities does not need to obtain the ICB License or any other alternative license any more. Based on the above, our PRC Legal Advisor is of the view that (i) the responding officials in these consultations have the requisite authorities to provide such confirmations; (ii) the Group, which no longer engages in the game distribution business, is currently not required to obtain the abovementioned game-related ICB licenses, and (iii) the aforementioned changes in regulatory requirements will not have a material adverse effect on the Group’s business operation and financial performance.

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As of the Latest Practicable Date, we have not been subject to any material penalties from the relevant government authorities for failure to obtain any licenses, permits or approval for our business operations. We cannot assure you, however, that the government authorities will not do so in the future. In addition, we may be required to obtain additional licenses or permits, and we cannot assure you that we will be able to timely obtain, maintain or renew all the required licenses or permits or make all the necessary filings in the future. In particular, as part of our continuous efforts to expand our business scope and explore innovative business models, we cannot guarantee that such strategies and measures will not violate, or be deemed to violate, PRC laws and regulations and if so, relevant PRC government authorities may issue warnings, order us to rectify our violating operations and impose fines on us. In the case of serious violations as determined by relevant authorities at their discretion, they may require suspension of the violating operations, seize our equipment and special tools in connection with such operations, confiscate our illegal gains or revoke the license, which may materially and adversely affect our business. If we fail to obtain, hold or maintain any of the required licenses or permits or make the necessary filings on time or at all, we may be subject to various penalties. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

We may be liable for improper use or appropriation of personal information.

Our business involves collecting and retaining user data, including personal information, as our various information systems are used for data entry, data procession, data analysis, data summarization and data reporting. We also maintain business operation data as well as employee personal information. The integrity and safety of data resources regarding our users, employees and business operation is critical to our business. Our users and employees expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect, and to take adequate security measures to safeguard such personal information.

The PRC Criminal Law (《中華人民共和國刑法》), as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits selling or providing personal information of citizens to others, or stealing or otherwise illegally acquiring personal information of citizens in violation of laws and regulations. On November 7, 2016, the SCNPC issued the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, the network operators, including the owners and administrators of networks and network products or service providers, have various personal information security protection obligations, including restrictions on the collection and use of personal information of users, and network operators are required to take steps to prevent personal information from being divulged, stolen, or tampered with. The Civil Code of the PRC (《中華人民共和國民法典》) (issued by the PRC National People’s Congress on May 28, 2020 and effective from January 1, 2021) provides main legal basis for privacy and personal information infringement claims under the Chinese civil laws. Furthermore, on August 20, 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC, or the Personal Information Protection Law (《中華人民共和國個人信息保護法》), effective on November 1, 2021, setting forth detailed

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rules for processing personal information. PRC regulators, including the Cyberspace Administration of China, MIIT, and the Ministry of Public Security have been increasingly focused on law enforcement in the areas of data security and data protection.

Regulatory requirements regarding the data security and data protection are constantly evolving and subject to amendments and changes, including the interpretation thereof, making the extent of our responsibilities in that regard uncertain. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. For instance, various regulatory bodies in China, including the Cyberspace Administration of China, the Ministry of Public Security and the SAMR, have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. On December 28, 2021, the CAC and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) critical information infrastructure operators (“CIIO”) purchasing network products and services which affects or may affect national security, must file for the cybersecurity review; (ii) the internet platform operators holding personal information of more than one million users seeking a listing in a foreign country must file for the cybersecurity review and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. As of the Latest Practicable Date, we have not been identified as a CIIO under current effective PRC laws and regulations. Our PRC Legal Advisors conducted consultation via the hotline published by the CAC on a named basis on behalf of us on May 7, 2023, with staff of the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “CCRC”). The CCRC is a competent authority on this consultation, because it is entrusted by the Cybersecurity Review Office under the CAC with authority to accept and review of application materials and to set up a hotline for consultation regarding the cybersecurity review, according to the official announcement by the CAC. Based on such consultation, our PRC Legal Advisor advised us that we do not need to proactively file for the cybersecurity review even though we hold personal information of more than one million users, given Hong Kong is part of PRC and does not belong to any “foreign country” as contemplated in the Cybersecurity Review Measures. Our PRC Legal Advisor also advised us that we are not obliged to file for the cybersecurity review when purchasing network products and services in accordance with the Cybersecurity Review Measures, on the basis that (i) as the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (“CIIO Regulation”) stipulates that the competent authorities and the supervision and administration departments of the important industries and sectors involved in Article 2 (“Protection Departments”) of the CIIO Regulation shall be responsible for the security protection of critical information infrastructures, and the Protection Departments shall be responsible for organizing the recognition of the critical information infrastructures within the industries and sectors according to the recognition rules, and shall inform the recognized CIIO accordingly; and (ii) as of the Latest Practicable Date, we had not received any notification from relevant regulatory authorities of being identified as a CIIO. In addition,

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during the Track Record Period and up to the Latest Practicable Date, we have not received any inquiry, notice, warning from any PRC government authorities, and have not been subject to any investigation, sanctions or penalties made by any PRC government authorities regarding cybersecurity review.

As the Cybersecurity Review Measures are released recently, some provisions and implementation standards in such measures are still subject to the further guidance by relevant authorities. The relevant authorities have discretions in the interpretation and enforcement of such regulations, and it is unclear whether and how such regulations will further evolve into supervisory measures in the future, and we will closely monitor and assess any development in the rule-making process. However, we expect we will be able to comply with the Cybersecurity Review Measures in all material aspects based on the analysis above. If we become subject to cybersecurity review or investigations launched by PRC regulators in the future, any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with the related laws and regulations may result in fines or other penalties, including suspension of business, website closure, removal of our app from the relevant app stores, and revocation of prerequisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People’s Congress of China, or the SCNPC, promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. The PRC Data Security Law imposes data security obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which call for the enhanced cross-border regulatory cooperation and administration and supervision of overseas-listed China-based companies, and the laws and regulations regarding data security, cross-border data flow and management of confidential information are expected to undergo further changes, which may require greater information security responsibilities and stronger cross-border information management mechanism and process. On November 14, 2021, the CAC issued the Draft Cyber Data Security Regulations, which provide that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national

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security. On July 7, 2022, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer (數據出境安全評估辦法) (the “Security Assessment Measures”), effective from September 1, 2022. The Security Assessment Measures require that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside China. As of the Latest Practicable Date, we are not involved in any cross-border transfer of personal information and important data during our daily operations, and therefore do not expect the Security Assessment Measures to have material impact on our daily operations in respect of the outbound data transfer. However, since the Security Assessment Measures is recently promulgated, there are uncertainties as to the interpretation and application of it. We cannot assure you that relevant regulatory authority will take the same view as ours. In the event the regulatory authority deems that the Security Assessment Measures apply to us, we will be subject to the relevant requirements. However, we expect we will be able to comply with the Draft Cyber Data Security Regulations and the Security Assessment Measures in all material aspects based on the analysis above. For more information about recent development of applicable laws and regulations, see “Regulations – Regulations Related to Internet Information Security and Privacy Protection.” As uncertainties remain regarding the further interpretation and implementation of these laws and regulations, we may become subject to additional compliance costs and liabilities under such laws and regulations and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. We may also become subject to fines and/or other sanctions which may have material adverse effect on our business, operations and financial condition.

During the Track Record Period, we have received notices from the relevant governmental authorities in China requiring us to enhance our data privacy protection measures on the mobile apps we operate in accordance with the applicable law and regulations of the PRC, without imposing any penalty on us. These notices were primarily related to *TT Chat* app’s (i) collection of users’ personal information, such as collecting or enabling collections of personal information before obtaining users’ consent, setting a default check when the app is seeking users’ consent, collecting users’ software installation list without users’ prior consent, repetitive pop-up notifications asking for users’ permission to access phone and storage and subsequent inaccessibility of the app upon the users’ refusal, and lacking prominent prompt in the information window on the opening page of the app; (ii) potential security risks such as encryption vulnerabilities of sensitive information and clickjacking risks; and (iii) failure to carry out rating record-filing, compliance evaluation and security risk assessment of the relevant business systems. We carried out various mitigation measures in response to these notices. To avoid recurrence of such events, we upgraded our mobile apps to initialize the collection of personal information only after users authorize the privacy policy, strengthen the encryption of the sensitive information, and deploy user alerts to reduce clickjacking risks. We implement a data privacy policy with respect to how we collect, store, process and use user data and information, and we may only use such data and information to provide and improve our services in compliance with the relevant laws and regulations or such policy. As of the Latest Practicable Date, all required rectification measures have been completed and reviewed by the relevant governmental authorities and we have not received further notices from the relevant

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governmental authorities in China after the Track Record Period and up to the Latest Practicable Date. In addition, we have not been involved in any review or investigation by the CAC during the Track Record Period and up to the Latest Practicable Date. Despite the absence of any material data breach or similar incidents and our continuous efforts to comply with our privacy policy as well as all applicable data protection laws and regulations, any failure or perceived failure to comply with these laws, regulations or policy may result in inquiries and other proceedings or actions against us by governmental authorities or others, as well as negative publicity and damage to our reputation, each of which could cause us to lose users and business partners and have an adverse effect on our business and results of operations.

Any system failure or compromise of our security that results in the unauthorized access to or release of the data, photo or chat history of our users could significantly limit the adoption of our services, as well as harm our brand reputation, result in litigation against us, liquidated and other damages, regulatory investigations and penalties, and we could be subject to material liability. We expect to continue expending significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the scope of services we offer and as we increase the size of our user base.

In addition, due to uncertainty in the interpretation and application of the aforementioned laws and regulations, our practice may become inconsistent with these laws and regulations. If so, in addition to the possibility of fines, this could result in an order requiring that we change our practices, which could have an adverse effect on our business and results of operations.

We face risks and uncertainties to comply with the laws, regulations and rules in various aspects in overseas jurisdictions. Failure to comply with such applicable laws, regulations and rules may subject our overseas operation to strict scrutiny by local authorities, which in turn may materially and adversely affect our overseas operations.

As we expand our operations overseas, we may have to adapt our business models or operations to the local markets due to various legal requirements and market conditions. Despite that we do not believe our international operations will be significant to our business in the near future, our international operations and expansion efforts may result in increased costs and are subject to various risks, including content control from local authorities, uncertain enforcement of intellectual property rights and infringements, the complexity of compliance with foreign laws and regulations and cultural differences. Compliance with applicable foreign laws and regulations related to matters that are central to our business, including those related to virtual gift sales, content restrictions, data privacy and minors protection, increases the costs and risk exposure of doing business in foreign jurisdictions. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. As our overseas operations evolve, we cannot assure you that we are able to fully comply with the legal requirements of each foreign jurisdiction and successfully adapt our business models to local market conditions. Due to the complexity

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involved in our overseas business expansion, we cannot assure you that we are in compliance with all local laws or regulations, including license requirements, or that our existing licenses will be successfully renewed or expanded to cover all of our areas of operations.

In addition, cultural differences may also impose additional challenges to our efforts in content control. Therefore, such different and possibly more stringent regulatory and cultural environments may increase the risk exposure to our daily operations in foreign jurisdictions. Our failure to comply with other foreign laws, regulations and rules could materially and adversely affect our business, results of operations, global reputation and global growth efforts. In addition, each foreign jurisdiction may have different regulatory framework, implementation and enforcement for mobile social networking platforms, which may substantially increase our compliance costs to obtain, maintain or renew requisite licenses and permits or fulfill any required administrative procedures.

We, our directors, management, shareholders and employees may, from time to time, be subject to legal proceedings during the course of our business operations, which could adversely affect our reputation and results of operations.

From time to time, we are subject to or involved in legal claims, disputes, and legal or regulatory proceedings in the course of our business operations, such as those relating to trademark or other IP infringement, minor protection, users’ private information and noncompliant content on the platform. Such claims and proceedings may be brought by third parties, including users, employees, business partners, governmental or regulatory bodies, competitors or other third parties. There may also be negative publicity associated with litigation that could decrease user acceptance of our social networking service, regardless of whether the allegations are valid or whether we are ultimately found liable. In addition, our directors, management, shareholders and employees may from time to time be subject to litigation, regulatory investigations, proceedings and/or negative publicity or otherwise face potential liability and expense in relation to commercial, labor, securities or other matters, which could adversely affect our reputation and results of operations. As a result, our business, financial condition, results of operations may be materially and adversely affected.

There is no guarantee that we will be successful in defending ourselves in legal proceeding under various laws. We may incur significant expenses related to such proceedings, which may negatively affect our operating results if changes to our business operations are required. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims.

If we fail to effectively manage our growth and control our costs and expenses, our business and operating results could be harmed.

We have experienced rapid growth in our business and operations and expansion of our platform since our inception in 2014, which places significant demands on our management, operational and financial resources. Our average MAUs increased by 37.5% from 12.3 million in 2020 to 16.8 million in 2021, and decreased by 17.9% to 13.8 million in 2022. Our average MAUs decreased by 15.4% from 14.9 million in the six months ended June 30, 2022 to 12.6

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million in the same period of 2023. Given our limited operating history and the rapidly evolving market in which we compete, we may encounter difficulties as we establish and expand our operations, research and development, product development, sales and marketing and administrative capabilities. We face significant competition for talented employees from other companies, which include both publicly traded and privately held companies, and we may not be able to hire new talent quickly enough to meet our needs and support our operations. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency and ability to meet our forecasts and our employee morale, productivity and retention could suffer, and our business and operating results could be adversely affected.

We expect our costs and expenses to continue to increase in the future as we broaden our user base and increase user engagement, and develop and implement new features and services that require more complexity. In addition, our cost and expenses, such as our research and development expenses, sales and marketing expenses and administrative expenses, have grown rapidly as we expanded our business. Historically, our costs increased each year, and we expect to continue to incur increasing costs to support our anticipated future growth. We expect to continue to invest in our technology infrastructure in order to enable us to provide our services rapidly and reliably to users. Continued growth could also strain our ability to maintain reliable service levels for our users, develop and improve our operational, financial, legal and management controls, and enhance our management systems and procedures. If we are unable to generate adequate revenues and to manage our expenses, we may not be able to achieve profitability or may incur significant losses in the future. Our expenses may grow faster than our revenues, and our expenses may be greater than we anticipate. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our operating expenses, including selling and marketing expenses, administrative expenses and research and development expenses were RMB959.6 million, RMB1,748.1 million, RMB1,246.5 million, RMB620.2 million and RMB607.7 million, respectively. Managing our growth will require significant expenditures and the allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition could be harmed.

If we fail to fulfill our obligations under our contracts with our customers, our business, results of operations and financial condition may be adversely affected.

Our contract liabilities are primarily related to advances for the purchase of virtual items and advanced cash receipt. As of December 31, 2020, 2021, 2022 and June 30, 2023, we recorded contract liabilities of RMB58.0 million, RMB80.5 million, RMB115.0 million and RMB86.6 million, respectively. Our contract liabilities increased during the Track Record Period mainly due to the increases in our paying users and their spending on our platform. See “Financial Information of the Target Group – Discussion of Selected Items from the Consolidated Balance Sheets – Contract Liabilities.”

If we fail to fulfill our obligations under our contracts with our customers, we may not be able to convert such contract liabilities into revenue, and our customers may require us to refund the advance payments they have made, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirement, and in turn, our

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results of operations and financial conditions. In addition, if we fail to fulfill our performance obligations under our contracts with customers, our relationship with such customers may be affected, which may in turn affect our reputation and results of operations in the future.

We may not be able to adequately protect our intellectual property, which could cause us to be less competitive, and third-party infringements of our intellectual property rights may adversely affect our business.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. See also “Business of the Target Group – Intellectual Properties.” In China, we market our key services under the brand “*TT Chat*.” Our business and financial performance are highly dependent on the strength and the market perception of our brand and services. A well-recognized brand is critical to increasing our user base and, in turn, facilitating our efforts to monetize our services and enhancing our attractiveness to customers. If for any reason we are unable to maintain and enhance our brand recognition, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected. We currently have pending trademark applications in China. There can be no assurance that our application for the registration with competent government authorities of trademarks and other intellectual property rights related to our current or future business will be approved, or our intellectual property rights will not be challenged by third parties or found by the relevant governmental or judicial authority to be invalid or unenforceable. We have, from time to time, encountered and may encounter in the future, difficulties registering our trademarks or other intellectual properties or have disputes with third parties regarding our trademarks or other intellectual properties. If the relevant trademarks or other intellectual properties could not be registered, we may fail to prevent others from using such intellectual properties, and our business, financial condition and results of operations may be materially and adversely affected.

Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources. In addition, we must actively protect and maintain the legal ownership of our trademarks under which we market our brand and operate our platforms and business. Any failure to register or maintain the registration of our trademarks in any geographic region in which we operate our business may result in an adverse and material effect on our operation and financial conditions.

If we are unsuccessful in obtaining trademark protection for our trademarks, we may be required to change our brand names and may incur substantial costs in diverting the existing users and potential users to the entrance under a new name and may lose user traffic on our platform to a material extent during the process. Any potential conflict over the usage of “*TT Chat*” brand may expose us to substantial legal costs and take up the time and energy of our management which could have been used on development of our business.

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Our business may be harmed if we were to lose our senior management and key employees’ services or if we were not able to hire, retain and motivate qualified personnel for important positions.

We depend on the continued contributions of our senior management, especially the executive officers listed in “Directors and Senior Management of the Successor Company” section of this circular, and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers or other key employees could materially harm our business.

Our future success is dependent on our ability to attract a significant number of qualified employees and retain existing key employees, especially our product development and technology professionals. We believe that there is, and will continue to be, intense competition for highly skilled management, technical, sales and other personnel with experience in our industry in the cities where our offices are located. Our need to significantly increase the number of our qualified employees and retain key employees may cause us to materially increase compensation-related costs, including stock-based compensation. We must provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. In addition, our senior management team has limited experience in running public companies, which will require us to expend additional resources in hiring additional support staff and incur additional costs and expenses. To the extent we hire personnel from competitors, we also may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. If we are unable to retain and motivate our existing employees and attract qualified personnel for important positions, we may be unable to manage our business effectively, including the development, marketing and sale, which could adversely affect our business, operating results and financial condition.

We have granted, and expect to continue to grant, share options under our share incentive plan, which may result in increased share-based compensation expenses.

We have adopted a share incentive plan for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. See “Statutory and General Information – E. Employee Incentive Plans” in Appendix VII to this circular for details. For the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded RMB1.5 million, RMB97.9 million, RMB53.1 million, RMB34.7 million and RMB51.5 million share-based compensation expenses in relation to share options granted, respectively. The increase in share-based compensation expenses in relation to share options granted from RMB1.5 million in 2020 to RMB97.9 million in 2021 was primarily due to the adoption of the 2020 Global Employee Incentive Plan in late 2020 to provide competitive compensation to our employees. The decrease in share-based compensation expenses in relation to share options granted from RMB97.9 million in 2021 to RMB53.1 million in 2022 was primarily due to the decreased recognition of share-based compensation expenses over the term of the vesting

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schedule of the share options granted. The increase in share-based compensation expenses in relation to share options granted from RMB34.7 million in the six months ended June 30, 2022 to RMB51.5 million in the same period in 2023 was primarily due to the increased grants of share-based compensation.

We believe the granting of share options is of significant importance to our ability to attract and retain our employees, and we will continue to grant share options to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. If additional share options or other equity incentives are granted to our employees, directors or consultants in the future, we will incur additional share-based compensation expense and our results of operations will be further adversely affected. Furthermore, investors of our Shares will experience dilution in the net tangible asset book value per share of our Shares owned by such investors upon exercise of any granted share options.

We rely on our mobile app to provide services to our users which, if inaccessible, may have a material adverse impact on our business, financial condition and results of operations.

We rely on third-party mobile app distribution channels such as Apple’s App Store, various Android’s App Stores and other channels to distribute our mobile app to users. We expect a substantial number of downloads of our mobile app will continue to be derived from these distribution channels. For example, the suspension of downloading of our *TT Chat* app from February 2022 to January 2023 on Apple’s and Android’s App Stores led to the decrease of our average MAUs from 16.8 million in 2021 to 13.8 million in 2022. Our *TT Chat* app is currently available for download in all major app stores. As such, the promotion, distribution and operation of our apps are subject to such distribution platforms’ standard terms and policies for app developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. A few of these third-party platforms dominate the mobile application distribution channels. Any changes in the revenue-sharing arrangements that we have with any of the major third-party application distribution platforms may materially impact our revenue and profitability. In addition, changes in the credit period or the settlement cycle terms of these third-party platforms may materially and adversely affect our cash flow. If such app stores or any other major distribution channels interpret or change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected. If any of our entities or any of our mobile apps is disallowed for downloading or distribution by these third parties for whatever reason, we will need to find an alternative approach to distribute the apps, and our reputation and business may be materially and adversely affected.

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We have experienced in the past temporary removal of our *TT Chat* app by mobile app stores for reasons such as government scrutiny on our business or industry or enhanced compliance requirements by such third-party platforms, see “– *TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may adversely affect our reputation, business, financial condition and results of operations.” We cannot assure you that our app will not be removed again by a third-party mobile app distribution channel in future and our business operation, reputation and financial conditions may be materially and adversely affected. In addition, we may rely on such third-party platforms as our payment channels including through in-app purchases. Any suspension or removal of our apps from these platforms may result in material adverse impact on our results of operations due to the unavailability of such payment channels.

We have been and may be subject to intellectual property infringement claims or other allegations by third parties for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.

We allow users to upload text, graphics and other content to our platform and download, share, link to and otherwise access games and other content on our platform. We have adopted procedures designed to reduce the likelihood that content might be used without proper licenses or third-party consents, such as providing warnings and restrictions in user agreements and implementing complaint handling measures. However, these procedures may not be effective in preventing the unauthorized posting of copyrighted content. Therefore, we may face liability for copyright or trademark infringement, defamation, unfair competition, libel, negligence, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through our platform.

Companies in the internet, technology and media industries are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties’ rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, are subject to further amendments, changes and interpretations and still evolving. We face, from time to time, and expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair competition against our competitors. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims.

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Defending intellectual property litigation is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our platform to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

If the software used by our mobile app and internal systems contains undetected programming or system errors or vulnerabilities, our business could be adversely affected.

Our mobile app and internal systems rely on software, including software developed or maintained internally and/or by third parties. In addition, our mobile app and internal systems depend on the ability of such software to store, retrieve, process and manage immense amounts of data. The software on which we relied in the past has contained, and may now or in the future contain, undetected programming errors, bugs or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors, vulnerabilities or other design defects within the software on which we rely may result in a negative experience for users using our mobile app, delay introductions of new features or enhancements, result in errors or compromise our ability to protect the data of our users and/or our intellectual property or lead to reductions in our ability to provide some or all of our services. In addition, any errors, bugs, vulnerabilities or defects discovered in the software on which we rely, and any associated degradations or interruptions of service, could result in harm to our reputation and loss of users, which could adversely affect our business, financial condition and operation results.

Computer and mobile malware, viruses, hacking and phishing attacks, spamming and improper or illegal use of our mobile app may affect user experience, which could reduce our ability to attract users and materially and adversely affect our business, financial condition and results of operations.

Computer and mobile malware, viruses, hacking and phishing attacks have become more prevalent in our industry, and may occur on our mobile app in the future. Although it is difficult to determine what, if any, direct harm may result from an interruption or attack, any failure to maintain performance, reliability, security and availability of our mobile app and technical infrastructure to the satisfaction of our users may seriously harm our reputation and our ability to retain existing users and attract new users.

In addition, spammers may use our mobile app to send targeted and untargeted spam messages to users, which may affect user experience. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. We may not be able to effectively eliminate all spam messages from our mobile app in a timely fashion. Our actions to combat spam may also require diversion of significant time and focus of our technology team from improving our mobile app. As a result, our users may use our mobile app less or stop using them altogether, and result in continuing operational costs to us.

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User growth and engagement depend upon effective interoperation with mobile operating systems, networks, mobile devices and standards that we do not control.

We make our services available across a variety of mobile operating systems and devices. We are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. Any changes in such mobile operating systems or devices that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. Further, if the number of platforms for which we develop our services increases, which is typically seen in a dynamic and fragmented mobile services market such as China, it will result in an increase in our costs and expenses. In order to deliver high-quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards. In the event that it is difficult for our users to access and use our services, particularly on their mobile devices, our user growth and user engagement could be harmed, and our business and operating results could be adversely affected.

Users’ payments to purchase and use of virtual items on our mobile apps could expose us to additional regulatory requirements and other risks that could be costly or difficult to comply with.

We may be subject to a variety of laws and regulations in the various jurisdictions where our users are located in respect of the users’ payments to purchase virtual items on our apps through third-party payment platforms, including those governing money transmission, gift cards and other prepaid access instruments, electronic funds transfers, anti-money laundering, counter-terrorist financing, gambling, banking and lending. For example, we currently cooperate with third-party payment channels, such as Weixin Pay, Alipay and Apple Pay, to process users’ payments. These third-party payment channels are subject to applicable anti-money laundering laws and regulations in China, which require them to comply with certain anti-money laundering requirements, including establishing the customer identification procedure, monitoring and reporting suspicious transactions and preserving users’ information and transaction records. If a third-party payment channel fails to perform its anti-money laundering obligations, it may be subject to fines or other proceedings, and the payment process on our platform may be compromised, which may have an adverse effect on our business and financial performance. In addition, the third-party payment channels that we collaborate with may be subject to supervision of People’s Bank of China, which may publish rules, guidelines and interpretations from time to time to regulate the operation of financial institutions and payment service providers. In some jurisdictions, the application or interpretation of these laws and regulations may be unclear. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties, or we may be required to make product or marketing practice changes, any of which could have an

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adverse effect on our business and financial results. In addition, we may be subject to a variety of additional risks as a result of these payments by users, including potential fraudulent or otherwise illegal activity by users, employees or third parties.

Our operations depend on the performance of the internet infrastructure.

Access to the internet for our operations is facilitated through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. We primarily rely on a limited number of telecommunication service providers to support our business. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with such internet infrastructure provided by telecommunication service providers. Our business is subject to the availability of effective bandwidth and sufficient server storage. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. We cannot assure you that the internet infrastructure in the region where we operate our business will be able to support the demands associated with the continued growth in internet usage. If we cannot increase our capacity to deliver our online services, we may not be able to achieve the increases in traffic we anticipate from our expanding user base, and the adoption of our services may be hindered, which could adversely impact our business.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, some users may be prevented from accessing the mobile internet and thus cause the growth of mobile internet users to decelerate. Such deceleration may adversely affect our ability to continue to expand our user base.

Any disruption to our information technology systems or those of third-party partners could materially damage our user relationships and subject us to significant reputational, financial, legal and operational consequences.

We depend on our information technology systems, as well as those of third parties, to develop new products and services, operate our platform, host and manage our services, store data, process transactions, and respond to user inquiries. Any material disruption or slowdown of our systems or those of third parties whom we depend upon, including a disruption or slowdown caused by our failure to successfully manage significant increases in user volume, could cause outages or delays in our services, which could harm our brand and adversely affect our operating results.

We rely on cloud servers maintained by reputable cloud service providers to store our data. Problems with our cloud service providers or the telecommunications network providers with whom they contract could adversely affect the experience of our users. Our cloud service providers could decide to cease providing us with services without adequate prior notice under

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certain circumstances. Any change in service levels at our cloud servers or any errors, defects, disruptions or other performance problems with our platform could harm our brand and may damage the data of our users. If changes in technology cause our information systems, or those of third parties whom we depend upon, to become obsolete, or if our or their information systems are inadequate to handle our growth, we could lose users and our business and operating results could be adversely affected.

Our internal systems and mobile apps contain open source software, which may pose particular risk to our proprietary software and mobile apps features and functionalities in a manner that negatively affects our business.

We use open source software in our internal systems and mobile apps and will continue to use open source software in the future. To handle risks in this regard, we have set up an internal system that monitors any change in the source code of any open source software we use in our operation, made risk management plan for open source software and increasingly invested in developing our proprietary software. Despite these risk management efforts, there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide our services through the various features and functionalities of our mobile apps. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional technology and development resources, and we may not be able to complete it successfully.

We use third-party services or partner with third parties in connection with our business, and any disruption to the provision of these services to us or any deterioration of our relationship with our business partners could result in adverse publicity and a slowdown in the growth of our user base, which could materially and adversely affect our business and results of operations.

Our business depends upon services provided by, and relationships with, third parties, including:

- A significant component of our business is matching users with other users who share the same interest, for example with game buddies for online games, which are developed and operated by third parties.
- We market our platform and acquire new users through various channels, such as short video platforms, multi-channel network content creators and app stores. If our relationship with these third parties deteriorates, or they for whatever reason cease to distribute our mobile apps or other services, our business may be materially and adversely affected.

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- In addition, we sell a significant portion of our virtual items through third-party online payment systems. If any of these third-party online payment systems suffer from security breaches, users may lose confidence in such payment systems and refrain from purchasing our virtual items online, in which case our results of operations would be negatively impacted.

We exercise no control over the third parties with whom we have business arrangements and do not have control over the security measures of our third-party online payment vendors. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material and adverse effect on our business, financial condition and results of operations. Any security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential user information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet or mobile network security breach were to occur, users may become reluctant to pay for our services even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage user confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from purchasing our services, which may have a material adverse effect on our business.

Some of our users may make sales or purchases through unauthorized third-party platforms of virtual currency we offer at prices lower than normal on our platform, which may affect our revenue-generating opportunities and exert downward pressure on the prices we charge for our virtual currency.

We, in very occasional cases, offer virtual currency at lower prices than normal to attract users or encourage user participation. Some of our users may sell or purchase such virtual currency through unauthorized third-party sellers in exchange for real currency. For example, in limited circumstances, user A may pay another user B to send virtual gifts with virtual currency that user B bought at lower prices than normal in his/her account to the host that user A wants to support. Under such circumstances, user A generally pays user B a price between the actual price user B paid for the virtual currency on the platform and the normal price of such virtual currency. These unauthorized transactions are usually arranged on third-party platforms which we do not and are unable to track or monitor. Accordingly, these unauthorized purchases and sales from third-party sellers may affect our revenue-generating opportunities and may impede our revenue and profit growth by, among other things, reducing the revenues we could have generated had such users paid the full prices of our virtual items and exerting downward pressure on the prices we charge for our virtual currency.

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We face risks associated with potential misconduct of our employees, business partners and their employees and other related personnel.

We rely on our employees to maintain and operate our business and have implemented an internal code of conduct to guide the actions of our employees. However, we do not have control over the actions of our employees, and any misbehavior of our employees could materially and adversely affect our reputation and business. For example, if our employees download pirated software to their work computers or perform other unauthorized actions on our IT system, we may be exposed to security breach. Despite the security measures we have implemented, our systems and procedures and those of our business partners may be vulnerable to security breaches, act of vandalism, software viruses, misplaced or lost data, programming or human errors or other similar events caused by our employees, our business partners and their employees and other related personnel, which may disrupt our delivery of services or expose the identities and confidential information of our users and others. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we may lose current and potential users and we may be exposed to legal and financial risks, including those from legal claims, regulatory fines and penalties, which in turn could adversely affect our business, reputation and results of operations.

With respect to employees or ex-employees, we could also in the future face a wide variety of claims, including discrimination, sexual harassment, privacy, labor, employment or tort claims. Often these cases raise complex factual and legal issues, and the result of any such claims are inherently unpredictable claims against us, whether meritorious or not, could require significant amounts of management time and corporate resources to defend, could result in significant media coverage and negative publicity and could be harmful to our reputation and our brand. If any of these claims were to be determined adversely to us, or if we were to enter settlement arrangements, we could be exposed to monetary damages or be forced to change the way in which we operate our business, which could have an adverse effect on our business, financial condition and results of operations.

We also work with our business partners in our business operation, and their performance affects the image of our brand. However, we do not directly supervise them in providing services to us or our users. Therefore, we may not be able to successfully monitor, maintain and improve the quality of their services. In the event of any unsatisfactory performance by our business partners and/or their employees, our business operation may be negatively impacted and our users may experience disruptions in services or decline in service quality, which may materially and adversely affect our reputation, our ability to retain and expand our user base, and our business, financial condition and results of operations.

Past and future strategic business partnerships or acquisitions may have a material and adverse effect on our business, reputation and results of operations.

We may in the future enter into transactions including joint ventures, strategic investments and intellectual property licensing and operations with various third parties. Such strategic transactions with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, nonperformance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor

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their actions and to the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing business. In the past, for example, we acquired 100% equity interest in Xiamen Saimalei for a cash consideration of RMB42 million in 2019. For our major acquisitions in the history, see “History, Reorganization and Corporate Structure of the Target Group – Major Acquisitions, Disposals, Mergers and Minority Investments.” Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial or operating results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, the incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders’ approval, we may also have to obtain approvals and licenses from the government authorities in the PRC for the acquisitions and comply with applicable PRC laws and regulations, which could result in increased costs and delays.

We have limited experience in international markets. If we fail to meet the challenges presented by our expansion overseas, our business, financial condition and results of operations may be materially and adversely affected.

We are exploring opportunities overseas. We have limited experience in international markets and we expect to enter and expand our operations in international markets. Global expansion could expose us to a number of risks, including:

- compliance with applicable foreign laws and regulations, including but not limited to internet content provider licenses, internet content requirements, foreign exchange controls, cash repatriation restrictions, intellectual property protection rules and data privacy requirements;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- challenges in formulating effective marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in attracting users to generate appealing content on our overseas platforms;
- challenges associated with internet infrastructure and telecommunication network services overseas and risks of system security breaches;

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- local competition;
- local employment laws and practices;
- fluctuations in currency exchange rates;
- exposure to different tax jurisdictions that may subject us to greater fluctuations in our effective tax rate and assessments in multiple jurisdictions on various tax-related assertions, including transfer pricing adjustments and permanent establishment; and
- increased costs associated with doing business in foreign jurisdictions.

Despite that we do not believe our international operations will be significant to our business in the near future, our business, financial condition and results of operations may be adversely affected by these and other risks associated with our global expansion.

Our results of operations are subject to seasonal fluctuations due to a number of factors that could adversely affect our business.

We experience seasonality in our business, reflecting seasonal fluctuations in internet and online entertainment usage. As a result, comparing our operating results on a period-to-period basis may not be meaningful. For example, online user numbers tend to be lower during school terms, which negatively affects our user activities for those periods because a portion of our users are college students. Internet usage and the rate of internet growth may also decline during the school terms as some students lose regular internet access. For example, in 2021, the average MPU for the third quarter increased by 32% as compared to that in the second quarter.

Due to the foregoing factors, our operating results in one or more future periods may fall below the expectations of securities analysts and investors.

Our business and financial condition was affected by the COVID-19 pandemic.

The COVID-19 pandemic had positive impact on our business operation and financial performance during the Track Record Period, which was overall not significant. The fact that people spent more time at home during the COVID-19 pandemic in early 2020 had contributed to the growth of our MAUs and paying users in early 2020, although it is difficult to quantify the level of such contributions during such period. We, however, cannot assure you that our historical growth momentum as well as the positive impact brought by the COVID-19 pandemic will continue as the COVID-19 pandemic has been largely contained in China. People may spend less time at home or using mobile apps and more time on outdoor activities going forward due to the availability of effective vaccines, more travel and public gatherings.

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The success of our business model is contingent upon our ability to provide a safe online environment for minors to experience and if we are not able to continue to provide a safe environment, our business will suffer dramatically.

According to the Minors Protection Law latest amended in October 2020 (effective in June 2021) (《中華人民共和國未成年人保護法》), it is illegal to produce, reproduce, publish, release and disseminate books, newspapers and periodicals, films, radio and television programs, stage art works, audio-visual products, electronic publications or network information that promote obscenity, eroticism, violence, cults, superstitions, gambling, suicide seduction, terrorism, separatism and extremism and other content that are harmful to the physical and mental health of minors; online service providers are also prohibited from providing minors with products and services that may be addictive. According to the Provisions on the Administration of Programs for Minors (《未成年人節目管理規定》) issued by the NRTA, which came in effect on April 30, 2019, and as amended on October 8, 2021, online audio-visual program service providers and program producers shall produce and disseminate programs for minors based on the physical and mental development status of the minors at different ages, and there should be images or sounds that prompt such programs. On October 16, 2023, the State Council promulgated the Regulations on the Online Protection of Minors (《未成年人網絡保護條例》) (the “Minor Protection Regulations”), which will come into effect on January 1, 2024. As of the Latest Practicable Date, we have implemented measures to comply with the requirement in the aforesaid draft regulation in all material aspects. See “Regulations – Regulations Related to the Protection of Minors in Online Entertainment.”

Our platform hosts a number of experiences intended for audiences of varying ages, a material percentage of which are attractive to minors. As a user generated content platform, it is relatively easy for developers, creators and users to generate content that can be viewed broadly. Notwithstanding our efforts, from time to time illegal or inappropriate content is successfully uploaded onto our platform and can be viewed by others prior to being identified and removed by us. This content could cause harm to our audience and to our reputation of providing a safe environment for minors to play online. If we are unable to prevent, or are perceived as not being able to sufficiently prevent, all or substantially all inappropriate content from appearing on our platform, parents and minors will lose their trust in the safety of our platform, which would harm our overall acceptance by these audiences and would likely result in significantly reduced revenue, profitability and ultimately, our ability to continue to successfully operate our platform.

We have received complaints on issues of minors’ consumption activities on our platform and on certain contents on our platform that are allegedly not suitable for minors. During the Track Record Period, the complaints on issues of minors’ consumption activities on our platform typically involved (i) the alleged failure of us to set comprehensive restrictions on minors’ consumption and effectively monitor their consumption activities and/or (ii) requests for refunds and other remediation measures for suspected minors’ consumption activities. During the Track Record Period, we received a total of 4,905 refunding requests for suspected minors’ consumption activities, 63 of which resulted in litigation against us. As of the Latest Practicable Date, all of these requests had been settled except for nine requests which were in

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the process of litigation. We refunded approximately RMB3.9 million, RMB6.2 million, RMB7.3 million and RMB3.1 million in 2020, 2021, 2022 and the six months ended June 30, 2023 for such settlements, respectively. The nine requests that had not been settled as of the Latest Practicable Date involved potential refunds of approximately RMB0.69 million in aggregate. During the Track Record Period, the actual and potential settlement amounts accounted for an immaterial portion of our revenues, and the number of users that requested such refunds accounted for a negligible portion of that of our paying users. We have also been subject to regulatory inquiries and immaterial monetary penalties relating to similar issues from time to time. During the Track Record Period, such inquiries and penalties were primarily related to the enhanced minor mode on our platform and the minor protection measures required by regulatory authorities. We cannot assure you that we will not be subject to such complaints, inquiries and penalties in the future. However, these efforts may not be sufficient to prevent minors from using the nonminor version of our mobile app and accessing the content thereon. Our continued regulatory compliance efforts in this regard may not be successful and may be costly, as they may divert a significant amount of management time and financial resources. As of June 30, 2023, we had a team of 256 staff members responsible for content monitoring and customer services, including contractors we engaged by third-party labor outsourcing agencies. We have also leveraged machine learning and artificial intelligence technologies to develop a proprietary automated system to facilitate content screening and monitoring to ensure the integrity of our content and platform. If non-compliance with PRC minor protection laws and regulations occurs again in the future or if the PRC government undertakes further actions against our mobile app, we may receive further refunding requests which may result in litigation actions against us, our users may lose trust in us and our reputation may be seriously harmed, our mobile app may be suspended from all app stores for an indefinite time, and we may be subject to other penalties and heightened regulatory scrutiny in the PRC, thereby having a material and adverse effect on our business, financial condition and business prospects.

Our business may be negatively affected by the potential obligations to make additional social insurance and housing fund contributions or may be subject to relevant administrative penalties.

We are required by PRC labor laws and regulations to pay various statutory employee benefits, including pensions insurance, medical insurance, work-related injury insurance, unemployment insurance and housing fund, to designated government agencies for the benefit of our employees and associates. Companies registered and operating in China are required under the Social Insurance Law and the Regulations on the Administration of Housing Funds to apply for social insurance registration and housing fund deposit registration within 30 days of their establishment and to pay for their employees’ different social insurance including pension insurance, medical insurance, work-related injury insurance and unemployment insurance to the extent required by law. Should we be found not completely in compliance with the aforesaid requirements, we could be subject to orders by the competent labor authorities for rectification, and failure to comply with the orders may further subject us to administrative

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finances. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties.

During the Track Record Period and up to the Latest Practicable Date, certain of our PRC operating entities did not have any employees and have not opened housing provident fund accounts and/or social insurance accounts. These PRC operating entities are required to open housing provident fund accounts and social insurance accounts according to the relevant PRC laws and regulations. In addition, we have not made full contributions to the social insurance plans and housing funds for our employees as required by PRC laws and regulations. Any failure to make such contribution or to duly open the social insurances or housing provident fund accounts by us may directly expose us to penalties imposed by the local authorities and/or legal claims raised by our employees. According to the Social Insurance Law, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice from the relevant government authorities or any claim or request from these employees in this regard. However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late fees or fines on us. In January 2022, we started to make full contributions of social insurance and housing provident fund for employees in compliance with the relevant PRC laws and regulations. Nevertheless, we may be subject to fines and legal sanctions for our historical failure to make social insurance and housing fund contributions in full. During the Track Record Period, we recorded provisions of RMB21.5 million in aggregate for potential economic losses that may arise from our failure to make full contributions to social insurance and housing provident funds.

If we become a target for public scrutiny or subject of any negative publicity, including complaints to regulatory agencies, negative media coverage and public dissemination of malicious reports or accusations about our business, our reputation and brand could be severely damaged, our ability to expand our user base may be impaired and our business and results of operations may be materially and adversely affected.

Since we operate in a highly competitive industry, brand image directly affects our ability to maintain our market position. We must continually exercise strict quality control of our mobile app to ensure that our brand image is not tarnished by substandard services. We must also promote and distinguish our mobile app from mobile apps of our competitors. If for any reason we are unable to maintain and enhance our brand recognition, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

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Moreover, as our business expands and grows, we may be exposed to heightened public scrutiny in markets where we already operate as well as in new markets where we may operate. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects.

Furthermore, our brand name and our business may be harmed by aggressive marketing and communication strategies by competitors and third parties. We may be subject to government or regulatory investigation or third-party claims as a result and we may be required to spend significant time and incur substantial costs to react to and address these consequences. There is no assurance that we will be able to effectively refute each of the allegations within a reasonable period of time, or at all. Additionally, public allegations, directly or indirectly, against us or our business partners, may be posted online by anyone on an anonymous basis. The availability of information on social media platforms is virtually immediate, as is its impact. Social media platforms may not necessarily filter or check the accuracy of information before publishing them and we are often afforded little or no time to respond. As a result, our reputation may be materially and adversely affected and our ability to attract and retain users and maintain our market share and our financial conditions may suffer.

We may require additional capital to support our business, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business and may require additional funds. In particular, we may seek additional funds to enhance our platform and expand our operations, including our sales and marketing organizations and our presence outside China, improve our infrastructure or acquire complementary businesses, technologies and other assets.

Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to holders of our ordinary shares. Any debt financing that we and our subsidiaries and Consolidated Affiliated Entities may secure in the future could contain restrictive and financial compliance covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. There is no guarantee that we will always comply with such covenants. In the event there is any breach of such covenants in our debt financing agreements, we or our relevant subsidiary or Consolidated Affiliated Entities could be required to repay the outstanding amounts under such agreements and be subject to other claims or liabilities arising out of such breaches, which could result in material adverse impacts to our financial condition and results of operations. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to

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continue to support our business growth, scale our infrastructure, develop product enhancements and to respond to business challenges could be significantly impaired, and our business, operating results and financial condition may be adversely affected.

The determination of the fair value changes and impairment of certain of our assets requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.

We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return and discount rate, in valuing certain of our assets, including financial assets at fair value through profit or loss and short-term investments. The fair value change of financial assets at fair value through profit or loss, short-term investments, convertible redeemable preferred shares and redeemable preferred shares may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. For instance, our financial assets at fair value through profit or loss experienced fluctuations during the Track Record Period. As of December 31, 2020, 2021, 2022 and June 30, 2023, we recorded financial assets at fair value through profit or loss of RMB6.1 million, RMB211.7 million, RMB427.9 million and RMB317.4 million, respectively. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong. If we incur losses from such fair value changes, our results of operations, financial condition and prospects may be adversely affected.

The determination of the fair values and increase of certain of our liabilities may negatively impact our results of operations, financial performance and prospect.

We had fair value changes on convertible redeemable preferred shares of RMB53.1 million, RMB1,326.3 million, RMB64.1 million, RMB6.4 million and RMB71.3 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. During the same years and periods, we recorded fair value changes on convertible preferred shares of RMB109.6 million, RMB939.4 million, RMB12.7 million, RMB40.1 million (negative) and RMB83.4 million, respectively. Similar to assets, factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby cause fluctuations on the fair value of our liabilities. If we incur losses for such fair value changes, our results of operations, financial condition and prospects may be adversely affected.

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We recorded net liabilities during the Track Record Period.

We recorded net liabilities of RMB245.7 million, RMB2,701.4 million, RMB2,434.9 million and RMB2,591.5 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The significant increase of net liabilities from 2020 to 2021 was primarily due to the significant amount of convertible redeemable preferred shares recorded as liabilities. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares and we will return to a net assets position from a net liabilities position. However, there can be no assurance that we will not experience liquidity problems in the future.

We face risks associated with our investments.

We currently invest a portion of our capital in investments. As of June 30, 2023, our investments mainly consisted of financial assets at fair value through profit or loss including unlisted debt securities, wealth management products, investments in unlisted entities. These investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results.

We had aggregated net fair value losses of RMB8.7 million and RMB4.8 million in 2020 and the six months ended June 30, 2022, respectively, and net fair value gains of RMB6.4 million, RMB2.7 million and RMB22.0 million in 2021, 2022 and the six months ended June 30, 2023, respectively, on financial assets at fair value through profit or loss, including investments in unlisted entities, loan receivables, wealth management products, unlisted debt securities and forward contracts. Any change in securities prices and market conditions could lead to volatility in the fair values of our financial assets at fair value through profit or loss, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favorable prices.

We are subject to risks and uncertainties associated with our investments in associates.

We have invested in associated companies and may continue to do so in the future. The performance of such associates has affected, and will continue to affect, our results of operations and financial position. Our investments in associates, recorded as investments accounted for using the equity method, which amounted to RMB8.7 million, RMB46.7 million, RMB42.8 million and RMB47.4 million, respectively, as of December 31, 2020, 2021, 2022 and June 30, 2023. Our investments in associates are subject to liquidity risk. Our investments in associates are not as liquid as other investment products as there is no cash flow until dividends are received even if the associates reported profits under the equity method of accounting. Furthermore, our ability to promptly sell one or more of our interests in our associates in response to changing economic, financial and investment conditions is limited.

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The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to 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 associates may significantly limit our ability to respond to adverse changes in the performance of our associates. The success of an associate depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from such associates, such as receiving dividends from them. Furthermore, in addition to not receiving positive financial return, the illiquid nature of our investment in associates may also negatively affect our results of operations in case of adverse changes in the performance of our associates.

We may face impairment risks in connection with our goodwill and other intangible assets.

In order to expand our operations, we have undertaken acquisition in the past. In practice, many companies acquire other companies and pay a consideration that exceeds the fair value of identifiable fair value of consideration assets and liabilities that the acquired company possesses, the excess of the purchase price over fair value of acquired identifiable assets and liabilities is recorded as a goodwill. The carrying amount of goodwill of our Group was nil, RMB44.8 million, RMB60.2 million and RMB60.2 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively.

If we cannot successfully grow our business and continue developing our monetization channels in order to realize satisfactory returns on our investment and generate sufficient revenue, our financial position, results of operations and equity value may be materially and adversely affected and our goodwill may be impaired.

In addition, as of December 31, 2020, 2021, 2022 and June 30, 2023, we had intangible assets of RMB243.4 million, RMB355.9 million, RMB342.3 million and RMB332.8 million, respectively, the value of which are based on a number of assumptions made by our management. In particular, our intangible assets consist mainly of goodwill, acquired technology, acquired brand name, Esports players’ rights, Esports licenses and contracts, online game licenses, and audio video service permission license. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss, which could in turn adversely affect our financial position and results of operations.

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We are subject to credit risk related to defaults of customers, and any significant default on our receivables could materially and adversely affect our liquidity, financial condition and results of operations.

We are exposed to credit risk related to defaults of our customers. As of December 31, 2020, 2021, 2022 and June 30, 2023, our trade receivables amounted to RMB46.8 million, RMB84.8 million, RMB99.1 million and RMB51.2 million, respectively. We may not be able to collect all such trade receivables due to a variety of factors that are beyond our control. As the amount of provisions made on our trade receivables are recorded as expenses on our results of operations, if we are not able to effectively manage the credit risk associated with our trade receivables, our results of operations may be materially and adversely affected.

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

Our business could be adversely affected by natural disasters, health epidemics and other calamities. Our operations will be adversely affected by such events. For example, we could experience server interruptions or failures if the foregoing events occur. Although we have servers that are hosted in an offsite location and implemented backup system to retain our core transaction data, our backup system does not capture data on a real-time basis and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services.

A prolonged downturn in the global economy could adversely affect our business, financial condition and results of operations.

The global macroeconomic environment is facing challenges. There is uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, as well as regional conflicts. These factors may adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international finance markets may adversely affect our performance in international capital markets.

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Adverse changes in the geopolitical conditions, as well as government policies, could have an adverse impact on our relationship between us and some third-party mobile app distribution and payment channels.

We rely on third-party mobile app distribution channels such as Apple’s App Store, various Android’s App Stores and other channels to distribute our mobile app to users. In addition, we may rely on such third-party platforms as our payment channels including through in-app purchases. Our relationship with such international business partners may be affected by any adverse changes in geopolitical. In particular, change of government policies by foreign governments, unfriendly foreign affair policies, trade restrictions, government scrutiny or negative perception of the Target Company by the governments and the public in jurisdictions where our international business partners operate, may directly or indirectly negatively affect our relationships with international partners. Such negative impact on our business relationship with third-party mobile app distribution and payment channels may impede timely payment processing and app downloading, among other things, and in turn adversely affect our results of operations and financial condition. These matters can be politicized and be driven by public opinion, which we cannot predict or control.

We have limited business insurance coverage, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse impact on our results of operations and financial condition.

We do not maintain business-related insurance, nor do we maintain key-man life insurance or any insurance covering liabilities resulting from misconducts or illegal activities committed by our employees, users or business partners. Any uninsured occurrence may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition.

Our rights to use our leased properties may be defective and could be challenged by property owners or other third parties, which may disrupt our operations and incur relocation costs.

As of the Latest Practicable Date, we leased 33 properties occupying over 19,000 square meters from third parties in China, which are mainly used as our headquarters and office space. Pursuant to the applicable PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, 21 of our leased properties in China had not been registered with the relevant PRC government authorities. Although failure to do so 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, at the discretion of the relevant authority. Therefore, the total potential penalty for the unregistered lease in theory may be up to RMB210,000. In the event that any fine is imposed on us for our failure to register our lease

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agreements, we may not be able to recover such losses from the lessors. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements.

We are subject to anti-corruption, anti-bribery and other laws and regulations, and third-party payment channels we cooperate with are subject to anti-money laundering laws.

We are subject to anti-corruption, anti-bribery and other relevant laws and regulations in China and certain overseas jurisdictions. Although we perform compliance processes and maintain internal control systems, we may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws and regulations if our processes or systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects. If any of our subsidiaries, operating entities, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws and regulations, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition, results of operations and prospects.

In addition, we currently cooperate with third-party payment channels such as Weixin Pay, Alipay and Apple Pay to process payments for us. These third-party payment channels are subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations in China, which require them to comply with certain anti-money laundering requirements, including the establishment of a customer identification procedure, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. If a third-party payment channel fails to perform its anti-money laundering obligations, it may be subject to fines or other proceedings in accordance with the relevant regulations. If any of our third-party payment channels fail to comply with applicable anti-money laundering laws and regulations, our reputation could suffer and we could become subject to regulatory intervention, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Increasing focus with respect to environmental, social and governance matters may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations on environmental, social and governance matters may subject us to penalties and adversely affect our business, financial condition and results of operations.

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance, or ESG, issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations

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associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and the PRC government or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial.

We rely on assumptions and estimates to calculate certain key operating metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

The numbers of monthly active users and monthly paying users and certain other key operating metrics are calculated using internal company data that has not been independently verified. While these numbers are based on 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. We treat each account as a separate user for the purposes of calculating our active users, because it may not always be possible to identify people that have set up more than one account. According to 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 identities of registered users shall be authenticated by the mobile Internet application providers based on real identity information such as mobile phone numbers. Accordingly, we have adopted the real-name registration method for all registered users of our platform based on their mobile phone numbers as permitted by applicable laws and regulations. However, given that a user may use more than one mobile phone number at the same time, we may not always be able to identify users that set up more than one account based on their registered mobile phone numbers. Therefore, the calculations of our active users may not accurately reflect the actual number of people using our platform.

Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in methodology. If customers or platform partners 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 customers and platform partners may be less willing to allocate their resources or spending on our platform, which could negatively affect our business and operating results.

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In addition, we also do not verify age or other profile information provided by our users, which may potentially mislead our analysis and understanding of our user profile and therefore affect our ability to track the relevant operating metrics (such as revenue contributions from a specific age group) in order to improve user experience in a targeted manner.

We face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our business, operating results and financial condition.

We have operations primarily in China but open to users worldwide. As we continue to expand our international operations, we will become increasingly exposed to the effects of fluctuations in currency exchange rates. Although the majority of our cash generated from revenue is denominated in Renminbi, a small amount is denominated in other currencies, and our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations.

The value of the Renminbi against other currencies has in the past fluctuated significantly, and may in the future continue to do so, affected by, among other things, changes in political and economic conditions and the foreign exchange policy. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded net foreign exchange gains of RMB11.1 million, RMB4.6 million, RMB17.5 million, RMB8.5 million and RMB23.8 million, respectively. We had currency translation differences of RMB8.7 million, RMB43.8 million, RMB306.0 million (negative), RMB171.8 million (negative) and RMB159.1 million (negative) in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the exchange rate system may be further changed, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against other currencies in the future.

We are a holding company and we rely on dividends paid by Guangzhou Yongjie in China for our cash needs. Any significant fluctuation of Renminbi against the other currencies could adversely affect our business, operating results and financial condition, and the value of any dividends payable in other currencies. To the extent that we need to convert other currencies we receive from the De-SPAC Transaction into Renminbi for our operations, appreciation of the Renminbi against such currencies would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into other currencies for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of such currencies against the Renminbi would have a negative effect on the amount.

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Failure to withhold individual income tax as required by PRC regulations may subject us to penalties.

PRC laws and regulations require us to withhold individual income tax on employees’ salaries based on the actual salary of each employee upon payment. Our failure in withholding individual tax and in complying with applicable PRC tax laws may subject us to late payment penalties up to ranging from 50% to five times of the amount overdue. With respect to the under-withheld individual income tax, we may be required to make up sufficient withholding and pay late fees and fines. If we are subject to late fees and fines in relation to the failure in withholding individual income tax, our financial condition and results of operations may be affected. During the Track Record Period, we were not subject to any such late fees and fines due to failure to withhold individual income tax.

RISKS RELATED TO THE TARGET GROUP’S CORPORATE STRUCTURE

If the PRC government deems that the Contractual Arrangements in relation to our Consolidated Affiliated Entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of certain businesses is prohibited or restricted under currently effective PRC laws and regulations. Specifically, foreign investors are prohibited from holding equity interest in an entity conducting internet culture activities (except for music) and internet audio-visual program services, and are, subject to China’s WTO commitments, restricted to hold equity interest in an entity conducting value-added telecommunication services (except for e-commerce, domestic multiparty communication, storage-and-forward and call center services) according to the Negative List, which may be amended, supplemented or otherwise modified from time to time. See “Regulations – Regulations Related to Foreign Investment.”

Because we are an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly foreign-owned enterprise in the PRC is a foreign-invested enterprise, or FIE. To comply with above-mentioned restrictions, we conduct our business in China through the Consolidated Affiliated Entities. Guangzhou Yongjie has entered into a series of contractual arrangements with Guangzhou Quwan, Registered Shareholders of Guangzhou Quwan and general partners of limited partnership registered shareholders, which enable us to (1) exercise effective control over Guangzhou Quwan, (2) receive all of the economic benefits of Guangzhou Quwan and (3) have an exclusive option to purchase all or part of the equity interests and assets in Guangzhou Quwan when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over the Consolidated Affiliated Entities and hence consolidate its financial results of the Consolidated Affiliated Entities. For details, see the section headed “Contractual Arrangements of the Target Group”.

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Our PRC Legal Advisor is of the view that save as disclosed in the paragraph headed “Contractual Arrangements of the Target Group – Legality of the Contractual Arrangements”, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, except in relation to the dispute resolution clause. However, as the interpretation and application of current and future PRC laws and regulations is subject to amendments and changes and still developing, our PRC Legal Advisor advised us that there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion. If the PRC government otherwise finds that we are in violation of any existing or future PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking our business and operating licenses;
- levying fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- restricting our right to collect revenue;
- shutting down our services;
- discontinuing or restricting our operations in China;
- imposing conditions or requirements with which we may not be able to comply;
- requiring us to change our corporate structure and contractual arrangements;
- restricting or prohibiting our use of the proceeds from overseas offering to finance our Consolidated Affiliated Entities’ business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. For details, see the paragraph headed “– The interpretation and implementation of the PRC Foreign Investment Law is subject to amendments and changes, and its enactment could adversely affect our business, operating results and financial condition” in this section. Occurrence of any of these events could adversely affect our business, operating results and financial condition. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of the Consolidated Affiliated Entities or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of the Consolidated Affiliated Entities in our consolidated financial statements, thus adversely affecting our results of operations.

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We rely on Contractual Arrangements with Guangzhou Quwan and the Registered Shareholders of Guangzhou Quwan to operate our business, which may not be as effective as direct ownership in providing operational control and could adversely affect our business, operating results and financial condition.

We rely on Contractual Arrangements with Guangzhou Quwan and the Registered Shareholders of Guangzhou Quwan to operate our business in the PRC. These Contractual Arrangements may not be as effective as direct ownership in providing us with control over the Consolidated Affiliated Entities. If the Consolidated Affiliated Entities or the Registered Shareholders of Guangzhou Quwan fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by the Consolidated Affiliated Entities is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law including seeking specific performance or injunctive relief, and contractual arrangements. These remedies may not always be effective. For example, in the event that shareholders in Guangzhou Quwan were to refuse to transfer their equity interests in Guangzhou Quwan to us or our designated persons if we exercise the purchase option pursuant to these Contractual Arrangements, or if they were otherwise to act in bad faith toward us, then we may refer to immediate legal actions to compel them to perform their contractual obligations.

All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. As a result, our ability to enforce these Contractual Arrangements may be limited and is subject to the interpretation and enforcement, as well as amendments and changes thereto, of PRC laws and regulations. Meanwhile, there are very few precedents and little formal guidance as to how Contractual Arrangements in the context of a consolidated affiliated entity should be interpreted or enforced under PRC law. Significant uncertainties exist regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final and parties cannot appeal arbitration results in court unless such rulings are revoked or determined unenforceable by a competent court. If the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities and relevant rights and licenses held by it which we require in order to operate our business, and our ability to conduct our business may be adversely affected. For details, please refer to the paragraph headed “– Risks Related to Doing Business in the Region Where the Target Group Operates Its Business – Our business may be adversely affected by changes in regulatory policies, particularly of internet businesses” in this section.

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The Registered Shareholders of Guangzhou Quwan may have potential conflicts of interest with us, which could adversely affect our business, operating results and financial condition.

The interests of the shareholders of Guangzhou Quwan in their capacities as such shareholders may differ from the interests of the Target Company as a whole, as what is in the best interests of our Consolidated Affiliated Entities, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of the Target Company. There can be no assurance that when conflicts of interest arise, any or all of these shareholders will act in the best interests of the Target Company or those conflicts of interest will be resolved in our favor. In addition, these shareholders may breach or cause Guangzhou Quwan to breach or refuse to renew the existing Contractual Arrangements with us.

We rely on the shareholders of Guangzhou Quwan to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to the company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of Guangzhou Quwan, 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.

Contractual Arrangements in relation to the Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that the Consolidated Affiliated Entities owe additional taxes, which could adversely affect our business, operating results and financial condition.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm’s-length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements among Guangzhou Yongjie, Guangzhou Quwan and Registered Shareholders of Guangzhou Quwan were not entered into on an arm’s-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, regulations and rules, and adjust their income in the form of a transfer pricing adjustment, which could increase their PRC tax liabilities and our overall tax liabilities. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Guangzhou Yongjie or Guangzhou Quwan for PRC tax purposes, which could in turn increase their tax liabilities without reducing their tax expenses. In addition, if Guangzhou Yongjie requests the

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shareholders of Guangzhou Quwan to transfer their equity interests in Guangzhou Quwan at nominal or no value pursuant to these Contractual Arrangements, such transfer could be viewed as a gift and subject the relevant subsidiary to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on Guangzhou Yongjie and Guangzhou Quwan for adjusted but unpaid taxes according to applicable regulations. Our financial position could be materially and adversely affected if the tax liabilities of our Guangzhou Yongjie and Guangzhou Quwan increase, or if they are required to pay late payment fees and other penalties.

We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to the operation of our business if these entities go bankrupt or become subject to a dissolution or liquidation proceeding.

The Consolidated Affiliated Entities hold most of our assets in China. Under the Contractual Arrangements, Guangzhou Quwan may not and its shareholders may not cause it to, in any manner, sell, transfer, mortgage or dispose of its assets or its legal or beneficial interests in the business without our prior consent. However, in the event that the shareholders of Guangzhou Quwan breach these Contractual Arrangements and voluntarily liquidate Guangzhou Quwan, or Guangzhou Quwan declares bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities or otherwise benefit from the assets held by the Consolidated Affiliated Entities, which could adversely affect our business, operating results and financial condition. If any of the Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, Independent Third Party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, operating results and financial condition.

The interpretation and implementation of the PRC Foreign Investment Law is subject to amendments and changes, and its enactment could adversely affect our business, operating results and financial condition.

The Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) was approved by the National People’s Congress on March 15, 2019 and came into effect on January 1, 2020. The PRC Foreign Investment Law replaces the three laws on foreign investment, namely, the Wholly Foreign-owned Enterprise Law (《外資企業法》), the Sino-foreign Cooperative Joint Venture Law of the PRC (《中外合作經營企業法》) and the Sino-foreign Equity Joint Venture Law of the PRC (《中外合資經營企業法》). The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, the interpretation and implementation of such legislation is subject to amendments and changes. The Foreign Investment Law does not touch upon the relevant concepts and regulatory regimes that were historically suggested relating to the regulating of contractual arrangements. For instance, under the Foreign Investment Law, “foreign investment” refers to

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the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. On December 26, 2019, the State Council issued the Implementing Regulation of the Foreign Investment Law (《外商投資法實施條例》), (the “Implementation Regulations”), which became effective on January 1, 2020. Pursuant to the Implementation Regulations, in the event of any discrepancy between the Foreign Investment law and the Implementation Regulations and relevant requirements for foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Regulations shall prevail. The Implementation Regulations on the Foreign Investment Law does not stipulate whether contractual arrangements should be deemed as a form of foreign investment. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. If the ownership structure, Contractual Arrangements and business of the Target Company, Guangzhou Yongjie or Guangzhou Quwan are found to be in violation of any existing or future PRC laws or regulations, or if we fail to obtain or maintain any of the required permits or approvals, failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations. For instance, we may not be able to (1) continue our business in China through our Contractual Arrangements with Guangzhou Quwan, (2) exert effective control over the Consolidated Affiliated Entities or (3) consolidate the financial results of, and receive economic benefits from the Consolidated Affiliated Entities under existing Contractual Arrangements.

In addition, our corporate governance practice may be impacted and our compliance costs could increase if Guangzhou Yongjie was considered as a FIE under the Foreign Investment Law. For instance, the Foreign Investment Law purports to impose ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Any company found to be noncompliant with these information reporting obligations could potentially be subject to fines or administrative liabilities.

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It may be difficult to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

Most of our operating entities are incorporated in China. All of our management reside in China. Almost all of our assets are located in China. Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if such jurisdiction has entered into a treaty with China. Currently, China does not have treaties providing for the reciprocal enforcement of judgments awarded by courts in Japan, the United States, the United Kingdom and most other western countries. It may be difficult to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

On July 14, 2006, China and Hong Kong entered into 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 (《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”), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a court of China is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People’s Court and the government of the Hong Kong Special Administrative Region entered into 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》) (the “New Arrangement”), which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in the Hong Kong Special Administrative Region. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be challenging to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. Moreover, under the Civil Procedure Law of the PRC, if a court of China rules that a foreign judgment violates the basic principles of PRC laws or national sovereignty, security, or public interest, the court of China will not enforce the foreign judgment against our assets or managements in China.

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RISKS RELATED TO DOING BUSINESS IN THE REGION WHERE THE TARGET GROUP OPERATES ITS BUSINESS

Our business may be adversely affected by changes in regulatory policies, particularly of internet businesses.

A significant portion of our operations are conducted in the PRC and are governed by PRC laws, rules and regulations. Guangzhou Yongjie and Guangzhou Quwan are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

The Chinese government regulates the internet industry, including relevant market access restrictions and limitations on foreign investment, license and permit requirements for service providers in the internet industry. Since some of the laws, regulations and legal requirements with respect to the internet are relatively new and subject to further developments, their interpretation and enforcement are subject to amendments and changes. Because the Chinese legal system is based on written statutes, such that prior court decisions can only be cited for reference and have little precedential value, it is in many cases difficult to determine what actions or omissions may result in liabilities. Risks relating to China’s government regulation of the Chinese internet sector include the following:

- We operate our business in China through businesses controlled via Contractual Arrangements versus direct ownership due to restrictions on foreign investment in such businesses.
- Uncertainties relating to the regulation of the internet business in China, including evolving licensing practices, give rise to the risk that some requirements of our permits, licenses or operations may be subject to amendment or changes, which may be disruptive to our business, subject us to sanctions or require us to increase capital, compromise the enforceability of relevant contractual arrangements, or have other adverse effects on us. The numerous restrictions on acceptable content in China subject us to potential civil and criminal liability, temporary blockage or complete shutdown of our products if we have any violation or non-compliance with those restrictions.

Due to the increasing popularity and use of the internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the internet or other online services covering issues such as user privacy, cybersecurity, data protection, minor protection, pricing, content, copyrights, distribution, antitrust and characteristics and quality of products and services. The adoption of additional laws or regulations may impede the growth of the internet or other online services, which could, in turn, decrease the demand for our products and services and increase our cost of doing business. The existing PRC laws, regulations and policies, and their interpretation and enforcement, are subject to further

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amendments and changes and possible new laws, regulations, policies or interpretations have created uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business.

Pursuant to the Notice of on Further Strengthening Regulation to Effectively Prevent Online Gaming Additions among Minors (《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》), the PRC government limits online gaming time for minors to an hour per day from 8 p.m. to 9 p.m. on Friday, Saturday, Sunday and legal holidays in the PRC starting from September 1, 2021, and all online games are required to be connected to the online game anti-fatigue compliance system and a real-name registration system of the PRC government. In the future, the PRC government may continue to introduce additional restrictions on the online gaming industry in ways that adversely affect our users’ engagement with our platform.

Failure to comply with the regulation of information disseminated over the internet in China, including any amendments and changes in the implementation and enforcement thereof, may adversely affect our business and subject us to liability for information displayed on, retrieved from or linked to our platform or distributed to our users.

The PRC government has adopted certain regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements could result in the revocation of ICP license and other required licenses and the closure of the concerned websites. The website operator may also be held liable for such prohibited information displayed on, retrieved from or linked to such website. In addition, the MIIT has published regulations that subject website operators to potential liability for content included on their websites and for the actions of users and others using their websites, including liability for violations of PRC laws and regulations prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider, or ISP, to block any internet website maintained outside China in accordance with the relevant PRC laws and regulations. The State Secrecy Bureau, which is directly responsible for the protection of state secrets of the PRC government, is authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information.

As these regulations are subject to interpretation by the relevant authorities and may change over time, it may not be possible for us to determine in all cases the type of content that could result in liability for us as an online platform operator. In addition, we may not be able to control or restrict the content of other internet content providers linked to or accessible through our platform, or content generated or placed on our platform by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of the content on our platform objectionable, they may require us to limit or eliminate the

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dissemination of such information or otherwise curtail the nature of such content on our platform, which may reduce our user traffic and have a material and adverse effect on our financial condition and results of operations.

PRC laws and regulations on virtual assets are subject to amendments, changes and interpretations, and therefore it is not clear what liabilities, if any, we may have relating to the loss of virtual assets by our users.

While participating on our platform, our users may acquire, purchase and accumulate certain virtual assets, such as gifts or certain statuses and privileges. Such virtual assets can be important to users and, in some cases, can be cashed to actual money. However, virtual assets may become lost for various reasons, often through unauthorized use of the account of one user by other users and occasionally through data loss caused by delays in network service, network crashes or hacking activities. PRC laws and regulations on virtual assets are subject to amendments, changes and interpretations. As a result, uncertainties still exist as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of a platform such as ours would have any liability, whether in contract, tort or otherwise, to users or other interested parties, for loss of such virtual assets. Some recent PRC court judgments ordered certain online platform operators liable for losses of virtual assets by platform users, and have ordered online platform operators to restore the lost virtual items to users or pay damages and losses. In case of a loss of virtual assets, we may be sued by our users and held liable for losses, which may negatively affect our reputation, business, financial condition, results of operations and prospects. We have been involved in virtual items related lawsuits primarily asking for the refund of virtual assets to minors in the past, and we cannot assure you that such lawsuits will not be brought against us again in the future.

Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.

China’s overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to those who pay for our services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and housing fund to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law (《中華人民共和國勞動合同法》) and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee’s probation and unilaterally terminating labor contracts. In addition, enterprises are forbidden to force laborers to work

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beyond the time limit and employers must pay laborers for overtime work in accordance with the laws and regulations. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

We engage Independent Third Party service providers to provide labor outsourcing services based on our business request (including audio talent service, content monitoring service, customer service, among others) and settle payment of service fees to such third-party service providers. The outsourced personnel involved are not our employees, they are all employees or contract personnel of such third-party service providers, the third-party service providers are obligated to sign labor or service contracts with them, pay them remuneration and make social insurance and housing provident funds contributions for them. Their service fees cover the management fees, the taxes, the human resource costs of those labor outsourcing personnel (including their remuneration, social insurance fees and housing provident funds) and other expenses. If the third-party service providers fail to perform such obligations, they need to undertake the liability of breach of contract according to the service agreements we entered into with them. However, we cannot preclude the possibility that these outsourced personnel supplied by third-party service providers may be re-classified as our employees by courts, arbitration tribunals or government agencies. If these outsourced personnel are re-classified as our employees, we will be required to pay them remuneration, make social insurance and housing provident funds contributions for them or provide other benefits, and our labor costs will be increased, which could adversely affect our business and results of operations. In addition, the management of these outsourced staff may be subject to stricter regulatory requirements, and failure to comply with the PRC Labor Contract Law and its implementation rules, as well as other laws and regulations regarding employee benefits, we could be subject to orders by the competent labor authorities for rectification, and failure to comply with the orders may further subject us to administrative fine. See “– Our business may be negatively affected by the potential obligations to make additional social insurance and housing fund contributions or may be subject to relevant administrative penalties.”

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations will be adversely affected.

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PRC regulations establish procedures for some acquisitions of Chinese companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China.

PRC laws and regulations, such as the Regulations on Mergers and Acquisitions 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”), which were adopted by six PRC regulatory agencies in 2006 and amended in 2009, and other relevant rules, established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to a merger control security review. Moreover, the Anti-monopoly Law requires that the anti-monopoly law enforcement agency shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In early February 2021, the Antimonopoly Commission of the State Council published the Anti-monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》), (the “Platform Economy Antimonopoly Guidelines”), that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. In addition, the Regulations on Implementation of Security Review System for the 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 Ministry of Commerce that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “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 are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement. On December 19, 2020, the NDRC and the Ministry of Commerce promulgated the Rules on Security Review of Foreign Investment, or Security Review Rules (《外商投資安全審查辦法》), effective from January 18, 2021, which further provide that, when deciding whether a (1) newly establishment of a foreign-invested enterprise; (2) specific merger or acquisition of a domestic enterprise by foreign investors or (3) a foreign investment in other form is subject to a security review by the Security Review Authority, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements of offshore transaction. Factors that the Security Review Authority considers in its review include whether an important industry is involved and whether such foreign investment involves national security. If a business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant

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regulations to complete any such transaction could be time-consuming, and any required approval process, including approval from the Ministry of Commerce and/or the Security Review Authority, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business.

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners, Guangzhou Yongjie or Guangzhou Quwan to liability or penalties, limit our ability to inject capital into Guangzhou Yongjie and Guangzhou Quwan or limit Guangzhou Yongjie’s and Guangzhou Quwan’s ability to increase their registered capital or distribute profits.

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE on October 21, 2005. 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, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” Pursuant to SAFE Circular 37, “control” refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as change of shareholders of the special purpose vehicle, 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 may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) released on February 13, 2015 by SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

Mr. Song, Mr. Chen Guangyao and Mr. Qiu Zhizhao, who are PRC residents and indirectly hold Shares in the Target Company, have completed their SAFE registration in accordance with SAFE Circular 37. We may not be able to know at all times, however, the identities of all of our beneficial owners who are PRC residents. We do not have control over

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our beneficial owners, and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or at all. Any failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or failure of future beneficial owners of the Target Company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners, Guangzhou Yongjie or Guangzhou Quwan to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to Guangzhou Yongjie and Guangzhou Quwan and limit Guangzhou Yongjie’s ability to distribute dividends to the Target Company. These risks could adversely affect our business, operating results and financial condition.

Any failure to comply with PRC regulations regarding employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to SAFE Circular 37, PRC residents who participate in equity incentive plans in overseas non-publicly listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before the Target Company becomes an overseas listed company. As an overseas listed company, we and our directors, executive officers and other employees who are PRC residents and who have been granted options are subject to the Notice 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, according to which, employees, directors, supervisors and other management members participating in any equity incentive plans of an overseas publicly listed company who are PRC residents are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We are making, and will make efforts to comply with these requirements, but there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject relevant participants in our share incentive plans to fines and legal sanctions and may also limit the ability to make payment under our equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly foreign owned enterprise in China and limit our wholly foreign owned enterprise’s ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

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We may rely on dividends, loans and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our PRC operating subsidiary to make payments to us could adversely affect our ability to conduct our business.

We are a holding company and may rely on dividends, loans and other distributions on equity paid by our principal operating subsidiaries and on remittances from Guangzhou Quwan for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside China and pay our expenses. When Guangzhou Yongjie or Guangzhou Quwan incurs additional debt, the instruments governing the debt may restrict their ability to pay dividends, make loans or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to Guangzhou Yongjie and Guangzhou Quwan permit payments of dividends only out of its retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, Guangzhou Yongjie and Guangzhou Quwan are required to set aside at least 10% of their net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of their registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, Guangzhou Yongjie and Guangzhou Quwan are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

Limitations on the ability of Guangzhou Quwan to make remittance to the wholly foreign owned enterprise and on the ability of our subsidiary to pay dividends to us could limit our ability to access cash generated by the operations of those entities, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders or otherwise fund and conduct our business.

Discontinuation of the preferential tax treatment available to us in China could adversely affect our business, operating results and financial condition.

Pursuant to a Circular on Enterprise Income Tax Preferential Treatments (《關於企業所得稅若干優惠政策的通知》) issued by the State Administration of Taxation and the Ministry of Finance effective as of February 22, 2008, as partially amended by a Circular on Enterprise Income Tax Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), a qualified software enterprise is eligible to be exempted from income tax for its first two profitable years, followed by a 50% reduction in income tax, to a rate of 12.5%, for the subsequent three years. Guangzhou Quwan, is recognized as a qualified software enterprise and is eligible to be exempted from income tax for 2018 and 2019, followed by a 50% reduction in income tax from 2020 through 2022. In addition, Guangzhou Quwan is qualified

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as a “high and new technology enterprises strongly supported by the state,” or HNTEs, to enjoy a certain preferential income tax benefit under PRC tax laws and regulations. The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), most recently amended on December 29, 2018 and its implementation rules generally impose a uniform income tax rate of 25% on all enterprises, but grant preferential treatment to HNTEs, to enjoy a reduced enterprise tax rate of 15%. According to the relevant administrative measures, to qualify as an HNTE, Guangzhou Quwan must meet certain financial and non-financial criteria and complete verification procedures with the administrative authorities. Continued qualification as an HNTE is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification. Pursuant to the PRC law, Guangzhou Quwan may only enjoy one of the foregoing preferential tax treatments. In the event the preferential tax treatment for Guangzhou Quwan is discontinued or is not verified by the local tax authorities, and the affected entity fails to obtain preferential tax treatments based on other qualifications such as Advanced Technology Service Enterprise, it will become subject to the standard tax rates and policies, including the PRC enterprise income tax rate of 25%. We cannot assure you that the tax authorities will not, in the future, discontinue our preferential tax treatment, potentially with retroactive effect.

We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.

Under the modified Enterprise Income Tax Law and its implementing rules, enterprises established under the laws of jurisdictions outside China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The State Administration of Taxation (the “SAT”), issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《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》), or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 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 offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside China

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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 and uncertainties remain with respect to the interpretation of the term “de facto management body.”

Dividends payable to our foreign investors may become subject to PRC withholding tax and gains on the sale of our Shares by our foreign investors may become subject to PRC tax.

Under the modified Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends paid to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Any gain realized on the transfer of our Shares by such investors is also subject to PRC tax at a current rate of 10% if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise as described in the immediately preceding risk factor, dividends paid on our Shares, and any gain realized from the transfer of our Shares, may be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of our Shares by such investors may be subject to PRC tax at a current rate of 20% (which in the case of dividends may be withheld at source). If we are considered a PRC resident enterprise, any PRC tax liability may be reduced under applicable income tax treaties, but it is unclear whether holders of our Shares would be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors, or gains from the transfer of our Shares by such investors, are deemed to be income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in our Shares may decline significantly.

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

On February 3, 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《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 Bulletin 7, which partially replaced and supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《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 by the SAT on December 10, 2009. Pursuant to this Bulletin 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 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

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enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 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. Bulletin 7 does not apply to transactions of sale of equity securities by investors through a public stock exchange where such equity securities were acquired from a transaction through a public stock exchange (the “public trading safe harbor”). On October 17, 2017, the SAT promulgated the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at 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》), or SAT Circular 37, which was amended and became effective on June 15, 2018, and SAT Circular 698 then was repealed with effect from December 1, 2017. SAT Circular 37 also amends certain provisions in Bulletin 7, but does not touch upon other provisions of Bulletin 7, which remain in full force. SAT Circular 37, among other things, simplified procedures of withholding and payment of income tax levied on non-resident enterprises.

There is uncertainty as to the application of Bulletin 7 and SAT Circular 37. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore entities or investments. The Target company may be subject to filing obligations or taxed if the Target Company is transferor in such transactions, and may be subject to withholding obligations if the Target Company is transferee in such transactions under Bulletin 7. For transfer of shares in the Target Company by investors that are non-PRC resident enterprises that does not qualify for the public trading safe harbor, Guangzhou Yongjie may be requested to assist in the filing under Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 7 and SAT Circular 37 or to request the relevant

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transferors from whom we purchase taxable assets to comply with Bulletin 7 and SAT Circular 37, or to establish that the Target Company should not be taxed under Bulletin 7 and SAT Circular 37, which could adversely affect our business, operating results and financial condition.

We are subject to regulations on currency exchange.

A substantial portion of our revenue is denominated in Renminbi. The PRC government imposes regulations on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, the Target Company in the Cayman Islands may rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our wholly foreign-owned subsidiaries in China are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. But approval from or registration with appropriate government authorities or delegated banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The foreign exchange regulatory regime may be changed by the PRC government from time to time. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and currency conversion may delay or impede our ability to utilize the proceeds of this De-SPAC Transaction to make loans to Guangzhou Yongjie and Guangzhou Quwan, or to make additional capital contributions to Guangzhou Yongjie.

In using the proceeds of this De-SPAC Transaction, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to Guangzhou Yongjie, which is treated as a foreign-invested enterprise under PRC law, through loans or capital contributions. We may also make loans to our PRC subsidiaries and Guangzhou Quwan and its subsidiaries subject to the filing or registration with governmental authorities and limitation on amount. However, loans by us to Guangzhou Yongjie or Guangzhou Quwan to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to Guangzhou Yongjie is subject to the requirement of making necessary filings or registrations through enterprise registration system with relevant governmental authorities in China.

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SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or Circular 19, effective on June 1, 2015, in replacement of former regulations. According to Circular 19, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for the issuance of Renminbi entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《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 Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from this De-SPAC Transaction, to Guangzhou Yongjie and Guangzhou Quwan, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC. On October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience 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》) (the “Circular 28”), which, among other things, allows foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in the PRC, as long as the equity investment is genuine, does not violate applicable laws, and complies with the Negative List. The interpretation and implementation in practice of Circular 28 are subject to changes, amendments, and further clarification. According to 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》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments using the income under their capital accounts generated from their capital, foreign debt and overseas listing, without providing materials evidencing the authenticity in advance; provided that the capital usage is authentic and compliant with the current capital account income usage management regulations. The concerned bank is required to conduct spot checks in accordance with the relevant requirements.

We are not likely to finance the activities of Guangzhou Quwan by means of capital contributions given the potential restrictions on foreign investment in the businesses that are currently conducted by Guangzhou Quwan. In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding

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companies, we cannot assure you that we will be able to complete the necessary governmental filings or registrations on a timely basis, if at all, with respect to future loans to Guangzhou Yongjie or Guangzhou Quwan or future capital contributions by us to Guangzhou Yongjie. As a result, uncertainties exist as to our ability to provide prompt financial support to Guangzhou Yongjie or Guangzhou Quwan when needed. If we fail to complete such filings or registrations, our ability to use foreign currency, including the proceeds we received from this De-SPAC Transaction, 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.

RISKS RELATED TO THE DE-SPAC TRANSACTION AND THE SECURITIES OF VISION DEAL AND THE SUCCESSOR COMPANY

If the De-SPAC Transaction’s benefits do not meet the expectations of investors or securities analysts, the market price of the SPAC Class A Shares and the SPAC Listed Warrants or, following the Closing, the Successor Company Shares and the Successor Company Listed Warrants, may decline.

The unaudited pro forma financial information included in this circular is presented for illustrative purposes only and is not necessarily indicative of what the Successor Group’s actual financial position or results of operations would have been had the De-SPAC Transaction been completed on the dates indicated. If the perceived benefits of the De-SPAC Transaction do not meet the expectations of investors or securities analysts, the market price of the SPAC Class A Shares and the SPAC Listed Warrants prior to Closing may decline.

In addition, following the De-SPAC Transaction, fluctuations in the price of the Successor Company Shares and the Successor Company Listed Warrants could contribute to the loss of all or part of your investment. Prior to the De-SPAC Transaction, there has not been a public market for securities of the Target Group. The negotiated value of the Target Company in connection with the De-SPAC Transaction was determined through arm’s length negotiations with the Target Company and the PIPE Investors after taking into account various considerations (as further described in “Letter from the Vision Deal Board – F. PIPE Investments”) and such negotiated value may not be indicative of the price of the Successor Company Shares that will prevail in the trading market following the De-SPAC Transaction. Vision Deal has limited ability to assess the Target Group’s business, management and systems, and cannot provide any assurances as to the Successor Company’s prospects or success as a publicly listed company.

If an active market for the Successor Company Shares and the Successor Company Listed Warrants develops and continues, the trading price of the Successor Company Shares and the Successor Company Listed Warrants following the De-SPAC Transaction could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond the Successor Company’s control. The Successor Company Shares may trade at prices significantly

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below HK\$10.00, being the price at which the SPAC Class A Shares were issued at SPAC Listing Date and the subscription price for each PIPE Investment Share. In such circumstances, the trading price of the Successor Company Shares may not recover and may experience a further decline.

SPAC Class A Shareholders may exercise redemption rights with respect to a large number of the SPAC Class A Shares, and the Successor Company may not meet the requirement of the minimum number of Professional Investors set out in the Listing Rules.

The Listing Rules require that the Successor Company must have at least 100 Professional Investors as holders of the Successor Company Shares at the time of the listing of the Successor Company Shares on the Stock Exchange. At the time of signing the Business Combination Agreement and up to the EGM, Vision Deal will not know how many SPAC Class A Shareholders will exercise their Redemption Rights. If a large number of SPAC Class A Shareholders exercise their redemption rights and a sufficient number of additional investors cannot be found prior to Closing to subscribe for Successor Company Shares at Closing pursuant to the Permitted Equity Financing (if any), the Successor Company may not have the required minimum number of Professional Investors as its shareholders to meet the requirement set out in the Listing Rules. In this case, unless a waiver from strict compliance with the relevant Listing Rule requirement is granted by the Stock Exchange, the Successor Company will not satisfy the requirement for listing on the Stock Exchange, and Vision Deal and the Target Company will not be able to complete the De-SPAC Transaction. There is no assurance that the Stock Exchange will grant such waiver.

There is no guarantee that any SPAC Class A Shareholder's decision as to whether to redeem its SPAC Class A Shares for a pro rata portion of the Escrow Account will place the SPAC Class A Shareholder in a better future economic position.

There is no assurance as to the price at which an SPAC Class A Shareholder (assuming it does not redeem its SPAC Class A Shares) may be able to sell the Successor Company Shares in the future following the completion of the De-SPAC Transaction. Certain events following the completion of the De-SPAC Transaction may cause an increase in the share price of the Successor Company Shares, and may result in a lower value realized now by a SPAC Class A Shareholder redeeming its SPAC Class A Shares than if that shareholder did not exercise its Redemption Right. Similarly, if a SPAC Class A Shareholder does not redeem its SPAC Class A shares, such shareholder will bear the risk of ownership of the Successor Company Shares after the completion of the De-SPAC Transaction, and there can be no assurance that such shareholder can sell its Successor Company Shares in the future for a price that is higher than the Redemption Price which is not less than HK\$10.00 per share as set out in this circular. Any SPAC Class A Shareholder who is in doubt as to its position or any action to be taken is recommended to consult its own professional advisors.

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The Promoters’ economic interests or other conflicts of interest may have influenced their decision to recommend the approval of the De-SPAC Transaction.

The Promoters beneficially own or have a pecuniary interest in the SPAC Class B Shares and the SPAC Promoter Warrants that they purchased simultaneously with the offering of the SPAC Class A Shares in 2022. These securities will become worthless if the De-SPAC Transaction is not completed. See “Letter from the Vision Deal Board – U. EGM and Voting” for more details.

In addition, if the De-SPAC Transaction is not completed, the Promoters will be liable for ensuring that the proceeds in the Escrow Account are not reduced by the claims of the Target Group or claims of vendors or other entities that are owed money by Vision Deal for services rendered or contracted for or products sold to Vision Deal, but only if such entity has not executed a waiver agreement.

These interests and relationships may have influenced the decision of the Board of Vision Deal to pursue the De-SPAC Transaction and to recommend the approval of the De-SPAC Transaction. In considering the recommendation of the Board of Vision Deal to vote in favour of the De-SPAC Transaction and other resolutions at the EGM, SPAC Class A Shareholders should consider these interests.

If the De-SPAC Transaction is not approved by SPAC Class A Shareholders or does not proceed to completion for any other reason, and Vision Deal is unable to complete a De-SPAC transaction with another De-SPAC target by the time limit provided for in the Listing Rules, Vision Deal will have to cease operations and wind up.

If the De-SPAC Transaction is not approved by SPAC Class A Shareholders or does not proceed to completion for any other reason, and if Vision Deal has not completed a De-SPAC transaction within 30 months from the SPAC Listing Date (or, if this time limit is extended pursuant to a shareholder vote and in accordance with the Listing Rules, a De-SPAC transaction is not completed within such extended time limit), Vision Deal will (i) cease all operations except for the purpose of winding up; (ii) suspend the trading of the SPAC Class A Shares and the SPAC Listed Warrants; (iii) as promptly as reasonably possible but no more than one month thereafter, redeem the SPAC Class A Shares and distribute the funds held in the Escrow Account to holders of the SPAC Class A Shares on a pro rata basis, in an amount per SPAC Class A Share of not less than HK\$10.00, which will completely extinguish the rights of the holders of the SPAC Class A Shares as shareholders (including the right to receive further liquidation distributions, if any); and (iv) liquidate and dissolve, subject, in the case of clauses (iii) and (iv), to Vision Deal’s obligations under Cayman Islands law to provide for claims of creditors and in all cases subject to the other requirements of the applicable law.

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If the De-SPAC Transaction is not completed, potential De-SPAC targets may have leverage over Vision Deal in negotiating a De-SPAC transaction.

Any potential De-SPAC targets with which Vision Deal enters into negotiations concerning a De-SPAC transaction will be aware that Vision Deal must complete a De-SPAC transaction within 30 months from June 10, 2022, unless this time limit is extended pursuant to a shareholder vote and in accordance with the Listing Rules. Consequently, if Vision Deal is unable to complete the De-SPAC Transaction, a potential De-SPAC target may obtain leverage over it in negotiating a De-SPAC transaction, knowing that if Vision Deal does not complete its De-SPAC transaction with that particular De-SPAC target, it may be unable to complete its De-SPAC transaction with any De-SPAC target. This risk will increase as Vision Deal gets closer to the time limits described above.

Subsequent to the completion of the De-SPAC Transaction, the Successor Group may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on its financial condition, results of operations and share price after the De-SPAC Transaction, which could cause you to lose some or all of your investment.

Even though Vision Deal has endeavored to evaluate the risks inherent in the De-SPAC Transaction through due diligence on the Target Group, there is no assurance that this due diligence will highlight all material issues that may be present, that Vision Deal has adequately ascertained or assessed all of the significant risks of the Target Group's business or the industry in which it operates, that it would be possible to uncover all material issues through the amount of due diligence conducted, or that factors outside of Vision Deal's or the Target Group's control will not later arise.

As a result of these factors, the Successor Group may be forced to later write down or write off assets, restructure its operations, or incur impairment or other charges that could result in it continuing to report losses. Even though these charges may be non-cash items and may not have an immediate impact on the Successor Company's liquidity, charges of this nature could contribute to negative market perceptions about the Successor Company or the Successor Company Shares. Even if Vision Deal successfully identifies certain risks from its due diligence exercise, unexpected risks may arise and previously known risks may materialize in a manner not consistent with Vision Deal's preliminary risk analysis. Accordingly, the SPAC Class A Shareholders who choose to become shareholders of the Successor Group following the De-SPAC Transaction could suffer a reduction in the value of their shares.

Shareholders of Vision Deal will have a reduced ownership and voting power after the completion of the De-SPAC Transaction.

After the completion of the De-SPAC Transaction, the current shareholders of Vision Deal will own a smaller percentage of the Successor Company than they currently own of Vision Deal. Immediately after Closing, SPAC Class A Shareholders will hold less than 11% of the issued share capital of the Successor Company (assuming the Presumptions). For details, see

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“Share Capital – Authorized and Issued Share Capital”. Consequently, the current shareholders of Vision Deal, as a group, will have reduced ownership and voting power in the Successor Company compared to their ownership and voting power in Vision Deal.

Vision Deal or the Target Group may be potential litigation targets which could result in substantial costs and may delay or prevent the De-SPAC Transaction from being completed.

Defending against any litigation involving Vision Deal, the Target Group or the De-SPAC Transaction can result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on Vision Deal’s or the Target Group’s liquidity and financial condition. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting completion of the De-SPAC Transaction, that injunction may delay or prevent the De-SPAC Transaction from being completed, which may adversely affect Vision Deal’s or the Target Group’s or, if the De-SPAC Transaction is completed but delayed, the Successor Group’s business, financial position and results of operations. There can be no assurance as to whether any such lawsuits will be filed.

In particular, Section 238 of the Cayman Companies Act provides for a right of the Dissenting SPAC Shareholders to be paid the fair value of their SPAC Shares subject to certain limitations. If the Dissenting SPAC Shareholders do not agree with the fair value determined by the Board of Vision Deal, a petition may be filed with the Cayman Court for a determination of the fair value of the Dissenting SPAC Shares by the Cayman Court. The Dissenting SPAC Shareholders may participate in such proceedings until the determination of fair value is reached. For details, see “Letter from the Vision Deal Board – R. Appraisal Right of Dissenting SPAC Shareholders” and “Important Notice to SPAC Shareholders and Actions to be Taken – D. Appraisal Right of Dissenting SPAC Shareholders”.

If the SPAC Class A Shareholders fail to comply with the redemption requirements or requirements to exercise their Appraisal Right specified in this circular, they will not be entitled to redeem their SPAC Class A Shares or exercise their Appraisal Right.

In order to exercise their redemption rights, the SPAC Class A Shareholders are required to complete the procedures set out in “Important Notice to SPAC Shareholders and Actions to be Taken – B. Vision Deal Redemption Right – 3. Procedure to elect for Share Redemption”. SPAC Class A Shareholders electing to redeem their SPAC Class A Shares will receive, for each SPAC Class A Share redeemed, the Redemption Price which will be equal to the aggregate amount then on deposit in the Escrow Account calculated as of two Business Days prior to the EGM (including interest and other income earned on the funds held in the Escrow Account and not previously released to Vision Deal to pay expenses or taxes), divided by the number of the then issued and outstanding SPAC Class A Shares, provided that such Redemption Price will not be less than HK\$10.00 according to the Vision Deal Articles. Any SPAC Class A

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Shareholder who fails to properly exercise its redemption right will not be entitled to redeem its shares for the Redemption Price. See “Important Notice to SPAC Shareholders and Actions to be Taken – B. Vision Deal Redemption Right” for additional information on how to exercise your redemption rights.

In order to exercise their Appraisal Right, the Dissenting SPAC Shareholders must follow the statutory procedures prescribed in the Cayman Companies Act. SPAC Shareholders who wish to exercise their Appraisal Right are recommended to seek their own advice on the application and procedure to be followed in respect of the appraisal rights under the Cayman Companies Act. The Dissenting SPAC Shareholders who fail to properly exercise their Appraisal Right will not receive the fair value for their SPAC Shares and will instead receive newly issued Successor Company Shares. For details, see “Letter from the Vision Deal Board – R. Appraisal Right of Dissenting SPAC Shareholders” and “Important Notice to SPAC Shareholders and Actions to be Taken – D. Appraisal Right of Dissenting SPAC Shareholders”.

If the De-SPAC Transaction is not approved by SPAC Class A Shareholders or does not proceed to completion for any reason, all Share Redemption requests will be canceled and Redeeming SPAC Shareholders will not receive the Redemption Price.

If the De-SPAC Transaction is not approved by SPAC Class A Shareholders or does not proceed to completion for any other reason, Vision Deal will not redeem any SPAC Class A Shares and all Share Redemption requests will be canceled. In this case, Vision Deal will arrange for the Hong Kong Share Registrar of Vision Deal to promptly return any share certificate(s) delivered by Redeeming SPAC Shareholder(s). SPAC Class A Shareholders will only be able to exercise their redemption rights in connection with an extraordinary general meeting to (i) approve another De-SPAC transaction, (ii) modify the timing of Vision Deal’s obligation to announce a De-SPAC transaction within 18 months of the SPAC Listing Date or complete a De-SPAC transaction within 30 months of the SPAC Listing Date, or (iii) approve the continuation of Vision Deal following a material change in the Promoters or Directors of Vision Deal as provided for in the Listing Rules or if Vision Deal fails to obtain the requisite approvals.

Future resales of the Successor Company Shares may cause the market price of the Successor Company Shares to decline significantly, even if the Successor Group’s business is performing well.

Pursuant to the Promoters Lock-up Undertakings, the Successor Company Shares held by the Promoters are subject to a lock-up period of 12 months from the Unconditional Date. Pursuant to the PIPE Investment Agreements, the Successor Company Shares held by Six PIPE Investors are subject to the lock-up period of 6 months from the Listing Date. The Target Shareholders will be subject to the 6-month lock-up restrictions as provided in the Target Shareholders Lock-up Undertakings (save and except only in respect of 3W Global Fund, the lock-up securities shall refer to two-thirds of the Successor Company Shares held by it following completion of the De-SPAC Transaction). For details, see “Letter from the Vision Deal Board – K. Other Arrangements”.

RISK FACTORS

Upon the expiration of the applicable lock-up periods with respect to the Promoters, the PIPE Investors and the Target Shareholders, the Promoters, the PIPE Investors and the Target Shareholders may sell a large number of the Successor Company Shares in the open market or in privately negotiated transactions. Such sales could have the effect of increasing the volatility in the price of the Successor Company Shares and may put significant downward pressure on such share price of the Successor Company.

Successor Company Warrants will become exercisable for Successor Company Shares, which would increase the number of Successor Company Shares eligible for future resale in the public market and result in dilution to Successor Company Shareholders.

The Successor Company Listed Warrants and the Successor Company Promoter Warrants will become exercisable 30 days and 12 months after the Closing, respectively, subject to the satisfaction of certain conditions. If the Successor Company Warrants are exercised in full and assuming all SPAC Class A Shareholders elect to redeem any SPAC Class A Shares, and there is no Permitted Equity Financing, an aggregate of 42,525,000 Successor Company Shares will be issued, representing a maximum dilution impact of 4.64% in the shareholding in the Successor Company immediately after Closing. If the Successor Company Warrants are exercised in full and assuming no SPAC Class A Shareholders elect to redeem their SPAC Class A Shares, no SPAC Class A Shareholders exercise their Appraisal Right and there is no Permitted Equity Financing, an aggregate of 425,525,000 Successor Company Shares will be issued, representing a maximum dilution impact of 4.17% in the in the Successor Company immediately after Closing.

If the De-SPAC Transaction is completed, there is no guarantee that the Successor Company Listed Warrants will ever be in the money, and they may expire worthless.

The exercise price for the Successor Company Listed Warrants, once exchanged for SPAC Listed Warrants upon completion of the De-SPAC Transaction, will be HK\$11.50 per Successor Company Share. The Successor Company Warrants can only be exercised on a cashless basis. There is no guarantee that such Successor Company Listed Warrants, following the De-SPAC Transaction, will ever be in the money prior to their expiration, and as such, the Successor Company Listed Warrants may expire worthless.

RISK FACTORS

The Successor Company may redeem your unexpired Successor Company Listed Warrants prior to their exercise at a time that is disadvantageous to you.

The Successor Company has the ability to redeem the outstanding Successor Company Listed Warrants at any time after they become exercisable and prior to their expiration, at a price of HK\$0.01 per Successor Company Listed Warrant, provided that the reported closing price of the Successor Company Shares equals or exceeds HK\$18.00 per Share for any 20 trading days within a 30-trading day period ending on the third trading day immediately prior to the date on which the Successor Company sends the notice of redemption to the holders of the Successor Company Listed Warrants. Redemption of the outstanding Successor Company Listed Warrants could force you (i) to exercise your Successor Company Listed Warrants at a time when it may be disadvantageous for you to do so, (ii) to sell your Successor Company Listed Warrants at the then-current market price when you might otherwise wish to hold them, or (iii) to accept the nominal redemption price which, at the time the outstanding Successor Company Listed Warrants are called for redemption, is likely to be substantially less than the market value of your Successor Company Listed Warrants.

The Successor Company Listed Warrant Instrument and the Successor Company Promoter Warrant Agreement will designate the courts of Hong Kong as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of the Successor Company Warrants, which could limit the ability of holders of the Successor Company Warrants to obtain favorable judicial forum for disputes with the Successor Company.

The Successor Company Listed Warrant Instrument and the Successor Company Promoter Warrant Agreement will provide that, subject to applicable laws, (i) any action, proceeding or claim against the Successor Company arising out of or relating in any way to the Successor Company Listed Warrant Instrument or the Successor Company Promoter Warrant Agreement will be brought and enforced in the courts of Hong Kong; and (ii) that the Successor Company will irrevocably submit to such jurisdiction, which shall be the exclusive forum for any such action, proceeding or claim. The Successor Company will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

If any action, the subject matter of which is within the scope of the forum provisions of the Successor Company Listed Warrant Instrument and the Successor Company Promoter Warrant Agreement, is filed in a court other than a court of Hong Kong (a “**foreign action**”) in the name of any holders of the Successor Company Warrants, such holder of the Successor Company Warrants shall be deemed to have consented to (i) the personal jurisdiction of the courts located in Hong Kong in connection with any action brought in any such court to enforce the forum provisions (an “**enforcement action**”); and (ii) having service of process made upon such holder of the Successor Company Warrants in any such enforcement action by service upon such holder’s counsel in the foreign action as agent for such holder of the Successor Company Warrants.

RISK FACTORS

This choice of forum provision may limit the ability of the holders of the Successor Company Warrants to bring a claim in a judicial forum that it finds favourable for disputes with the Successor Company, which may discourage such lawsuits. Alternatively, if a court were to find this provision of the Successor Company Listed Warrant Instrument and the Successor Company Promoter Warrant Agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, the Successor Company may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect its business, financial condition and results of operations and result in a diversion of the time and resources of its senior management and the board of directors.

The Successor Company Warrants are expected to be accounted for as liabilities, which may have an adverse effect on the market price of the securities of the Successor Company.

The Successor Company Warrants are expected to be accounted for as liabilities. At the end of each reporting period, the fair value of the liabilities of the Successor Company Warrants will be remeasured and the change in the fair value of the liabilities will be recorded in the Successor Group’s consolidated statement of profit or loss and other comprehensive income. Changes in the inputs and assumptions for the valuation model used to determine the fair value of such liabilities may have a material impact on the estimated fair value of the liabilities. The price of the Successor Company Shares will represent the primary underlying variable that impacts the value of the liabilities. Additional factors that may impact the value of the liabilities include the volatility of the share price, discount rates and stated interest rates. As a result, the Successor Company’s financial statements may fluctuate at the end of each reporting period, based on various factors, such as the price of the Successor Company Shares, many of which are outside of the Successor Company’s control. In addition, the Successor Company may change the underlying assumptions used in its valuation model, which could result in significant fluctuations in its financial statements. If the price of the Successor Company Shares is volatile, the Successor Company may recognize non-cash gains or losses on Successor Company Warrants or any other similar derivative instruments in each reporting period and the amount of such gains or losses could be material. The impact of changes in fair value on Successor Company Warrants may have an adverse effect on the market price of the securities of the Successor Company.

Vision Deal may be required to complete the De-SPAC Transaction even if it determines it is no longer in the best interest of Vision Deal and the SPAC Class A Shareholders.

The SPAC Class A Shareholders are protected from a material adverse event arising between the date of the Business Combination Agreement and the Closing, primarily by the right to redeem their SPAC Class A Shares for a pro rata portion of the funds held in the Escrow Account. If a material adverse event were to occur after approval of the De-SPAC Transaction at the EGM, Vision Deal may be required to complete the De-SPAC Transaction if the closing conditions in the Business Combination Agreement are satisfied or waived, even if it may no longer be in the best interest of Vision Deal or the SPAC Class A Shareholders to do so.

RISK FACTORS

Engagement of QDII and QDLP asset manager by PIPE Investors for PIPE Investment may subject to quota limitation.

As stipulated in the PIPE Investment Agreements as an agreed commercial term, PIPE Investors may engage asset managers who are qualified domestic institutional investors or qualified investment enterprise as approved by the relevant authority, to subscribe for and hold the respective PIPE Investment Shares on behalf of the PIPE Investors. Under this contemplated QDII or QDLP arrangement, the relevant PIPE Investors, through the Qualified Investment Schemes, will continue to be entitled to all the rights as holders of the PIPE Investment Shares (and the Successor Company Shares upon completion of the De-SPAC Transaction).

There is no assurance that all the conditions to closing of PIPE Investments will be satisfied or that the conditions will be satisfied within the time frame expected. If there is insufficient QDII or QDLP quota granted to asset manager by the relevant authority who are the QDII or QDLP that is available to the PIPE Investors, the PIPE Investors may need more time to look for alternative QDII or QDLP asset manager to subscribe for and hold the respective PIPE Shares on behalf of the PIPE Investment Agreements or alternatively complete the overseas direct investment registration with the local MOFCOM and NDRC pursuant to the ODI Rules in relation to their offshore investments as domestic institutions. We cannot assure you PIPE Investors that may invest via QDII or QDLP arrangement can timely implement QDII and QDLP arrangement with sufficient quote to timely perform its obligation under their respective PIPE Investment Agreements. Subject to the satisfying of the conditions to the PIPE Investment Agreements, the completion of the De-SPAC Transaction may take longer than Vision Deal expects.

During the period from signing of the Business Combination Agreement to Closing, Vision Deal is prohibited from entering into certain transactions that might otherwise be beneficial to Vision Deal or the SPAC Class A Shareholders.

Until the earlier of the completion of the De-SPAC Transaction or termination of the Business Combination Agreement, Vision Deal to search for another De-SPAC target, repurchase or redeem shares (other than pursuant to the Share Redemption), pay dividends or incur financial debt. The limitations on Vision Deal's conduct of its business during this period could have the effect of delaying or preventing other strategic transactions and would make it impossible to pursue another De-SPAC opportunity that may be available.

The De-SPAC Transaction remains subject to certain conditions that Vision Deal cannot control and if such conditions are not satisfied or waived, the De-SPAC Transaction may not be consummated.

The De-SPAC Transaction is subject to a number of conditions. There is no assurance that all the conditions to closing of the De-SPAC Transaction will be satisfied or that the conditions will be satisfied within the time frame expected. If the conditions to the De-SPAC Transaction are not satisfied (or, if applicable, waived), then either Vision Deal or the Target Group may, subject to the terms and conditions of the Business Combination Agreement, terminate the

RISK FACTORS

Business Combination Agreement. See “Letter from the Vision Deal Board – J. The Business Combination Agreement – 1. Principal terms of the Business Combination Agreement – (v) Conditions to Closing” for details.

Delays in completing the De-SPAC Transaction may substantially reduce the expected benefits of the De-SPAC Transaction.

Satisfying the conditions to, and completion of, the De-SPAC Transaction may take longer than, and could cost more than, Vision Deal expects. Any delay in completing or any additional conditions imposed in order to complete the De-SPAC Transaction may materially adversely affect the benefits that Vision Deal expects to achieve from the De-SPAC Transaction.

The process of taking a company public by means of a De-SPAC transaction with a special purpose acquisition company is different from taking a company public through an initial public offering and may create risks for investors.

The De-SPAC Transaction will be one of the first of its kinds on the Stock Exchange, and there is yet to be a precedent on the Stock Exchange of a company successfully going public through a De-SPAC transaction. Going public via a De-SPAC transaction with a special purpose acquisition company does not involve a book-building process as is the case in an initial public offering. In any initial public offering, the initial value of a company is set by investors who indicate the price at which they are prepared to purchase shares from the underwriters and vetted by analysts. In the case of the De-SPAC Transaction, even though the PIPE Investments provide some assurance that the consideration of the Share Transfer and the Merger is fair, the value of the Target Company has primarily been established by means of negotiations between the Target Company (including the Target Disposing Shareholders and the Target Remaining Shareholders) and Vision Deal. This process may be less effective than an initial public offering book-building process and also does not reflect events that may occur between the date of the Business Combination Agreement and Closing. In addition, initial public offerings are sometimes oversubscribed, resulting in additional potential demand for shares in the aftermarket following the initial public offering. There is no comparable process of generating investor demand in connection with the De-SPAC Transaction, or process of creating an analyst following, each of which may result in lower demand for the Successor Company Shares after Closing, which could in turn, decrease liquidity and trading prices as well as increase share price volatility of the Successor Company Shares.

A market for the Successor Company Shares may not develop or be sustained, which would adversely affect the liquidity and price of the Successor Company Shares.

Following the De-SPAC Transaction, the price of the Successor Company Shares may fluctuate significantly due to the market’s reaction to the De-SPAC Transaction, general market and economic conditions, the Successor Company’s general business condition and the release of its financial reports. An active trading market for the Successor Company Shares following the De-SPAC Transaction may never develop or, if developed, may not be sustained. You may be unable to sell the Successor Company Shares unless a market for them can be established and sustained.

RISK FACTORS

Securities of companies formed through De-SPAC transaction may experience a material decline in price relative to the share price of the SPAC prior to the De-SPAC transaction.

Vision Deal issued the SPAC Class A Shares for HK\$10.00 per Share upon closing of its SPAC IPO in 2022. The HK\$10.00 per share price reflected each SPAC Class A Share having a one-time right to redeem such share for a pro rata portion of the proceeds held in the Escrow Account equal to approximately HK\$10.00 per share prior to the Closing. Following the Closing, the shares of the Successor Company issued and outstanding will no longer have any such redemption right, and the share price will be solely dependent upon the fundamental value of the Successor Group’s business, which, like the securities of other companies formed through De-SPAC transactions in other markets, may be significantly less than HK\$10.00 per share.

Because the Target Company and Vision Deal are incorporated under the laws of the Cayman Islands, you may face difficulties in protecting your interests, including in the event the De-SPAC Transaction is not completed.

Both the Target Company and Vision Deal are companies incorporated under the laws of the Cayman Islands with limited liability. In addition, some of Vision Deal’s and Target Company’s directors and executive officers are nationals and residents of countries or areas other than the United States and Hong Kong. A substantial portion of the assets of these persons are located outside the United States and Hong Kong. As a result, it may be difficult or impossible for SPAC Shareholders and Target Company Shareholders to effect service of process within the United States or Hong Kong upon these persons, or to bring an action against Vision Deal or the Target Company or against these individuals in the United States or Hong Kong in the event that they believe that their rights have been infringed under the U.S. federal securities laws, Hong Kong laws or otherwise. Even if shareholders are successful in bringing an action of this kind, the laws of the Cayman Islands and China may render them unable to enforce a judgment against Vision Deal’s or the Target Company’s assets or the assets of Vision Deal’s or the Target Company’s directors and officers. There is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce these judgments.

Securities laws in jurisdictions where holders of the Successor Company Listed Warrants are based may restrict their ability to receive shares of the Successor Company upon the exercise of the Successor Company Listed Warrants.

The jurisdictions in which the holders of the Successor Company Listed Warrants are based may have securities laws that restrict their ability to receive shares of the Successor Company upon the exercise of the Successor Company Listed Warrants. Accordingly, holders of the Successor Company Listed Warrants who are resident outside Hong Kong may not be able to exercise their Successor Company Listed Warrants if they are prevented by applicable securities laws from receiving shares consequent to such exercise. In such an event, they will have to sell their Successor Company Listed Warrants on the Stock Exchange.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

OVERVIEW

The Target Group is a leading interest-driven mobile social platform in China that endeavors to engage, link and connect Generation Z users. With the diversified product features and functions, the Target Group encourages relationship building and social interactions among its users who are primarily game lovers, by offering services and functions that improve gameplay experience. Through its voice-based and other real-time forms of interactions and entertainment offerings, the Target Group further enhances the formation of social connections among its users.

The Target Group’s history can be traced back to 2014 with the establishment of Guangzhou Quwan by its founders, Mr. Song, Mr. Chen Guangyao and Mr. Qiu Zhizhao. The Target Group has since then been led by Mr. Song, who is an entrepreneur in the game industry with deep insights into the interests and needs of game lovers and the rising generations in China. For the biography and industry experience of Mr. Song and Mr. Chen Guangyao, please refer to the section headed “Directors and Senior Management of the Successor Company”. Mr. Qiu Zhizhao has over 9 years of experience in Gaming and TMT industry and was responsible for Guangzhou Quwan’s business operation and development upon its establishment but ceased to be part of the Target Group’s core management team since July 2015.

THE TARGET GROUP’S BUSINESS MILESTONES

The following sets forth certain key business development milestones of the Target Group:

Year	Event
2014	Guangzhou Quwan, the Target Group’s onshore holding company, was established in the PRC. The Target Group launched <i>TT Chat</i> app.
2017	the Target Group launched social entertainment services.
2019	The Target Company was established in the Cayman Islands. The Target Group launched its Esports business.
2020	The Target Group completed Series A to B+ financing and raised a total of approximately US\$107.20 million. TTG Esports teams participated in “League of Legends” and “Honor of Kings” professional league tournaments.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

Year	Event
2021	<p><i>TT Chat</i> app became the official voice platform of the 2021 King Pro League (KPL) Spring and the Peacekeeper Elite League (PEL).</p> <p>The Target Company completed Series C financing and raised a total of US\$45.00 million.</p> <p><i>TT Chat</i> app became an official partner of the 2021 League of Legends Pro League (LPL).</p>
2022	<p>The “Singduck” (唱鴨) team joined the Target Company.</p> <p>The Target Company ranked among the top 50 of the Top 100 China Internet Enterprise Comprehensive Competence Index (2022) for the fifth time.</p> <p>The Target Group published its brand value proposition “interests creates value”.</p>

MAJOR SUBSIDIARIES AND OPERATING ENTITIES OF THE TARGET GROUP⁽¹⁾

The principal business activities and the dates of incorporation of the members of the Target Group which are most relevant to its core operations during the Track Record Period are shown below.

Name of major subsidiary or operating entity	Place of incorporation	Date of incorporation	Principal business activities
Guangzhou Quwan	PRC	December 13, 2014	Software and mobile app development and operation
Guangzhou Yongjie	PRC	July 12, 2019	Holding Company
Guangzhou Shabake	PRC	October 21, 2015	Online gaming business and mobile app operation
Guangzhou Qucheng	PRC	October 12, 2021	Esports related business and operation of “Honor of Kings” professional league Esports team

Note:

- (1) The Target Group’s major subsidiaries and operating entities are selected with reference to the importance to its business operation.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

For information on the Target Group’s other subsidiaries and operating entities, please see Note 1 of the Accountant’s Report set out in Appendix I to this circular.

MAJOR ACQUISITIONS, DISPOSALS, MERGERS AND MINORITY INVESTMENTS

1. Acquisition of Xiamen Saimailei

Xiamen Saimailei is a limited liability company established in the PRC on September 11, 2017. It was principally engaged in the business of Esports game team operation. Xiamen Saimailei owned the rights and licenses in the Honor of Kings Professional League, a multiplayer online battle arena game. On December 3, 2019, Guangzhou Qujing entered into an agreement with the shareholder of Xiamen Saimailei, Xiamen Qingshoutang Culture Media Co., Ltd. (廈門慶壽堂文化傳媒有限公司) (“**Xiamen Qingshoutang**”), to purchase 100% equity interest in Xiamen Saimailei for a cash consideration of RMB42,000,000. To the best knowledge of the Target Company’s Directors, Xiamen Qingshoutang is an Independent Third Party. The consideration of the acquisition was determined after arms’ length negotiations between the parties, taking into account the valuation report prepared by an independent valuer. Completion of the acquisition took place in January 2020, upon which Xiamen Saimailei became a wholly owned subsidiary of Guangzhou Qujing. The acquisition has been properly and legally completed, with all applicable requisite regulatory approvals obtained. The then license and rights of Xiamen Saimailei entitled the Group to own a permanent participation right in the Honor of Kings Professional League, an official Esports League operated by Tencent. The Group expects to increase its online game businesses through the acquisitions of the related rights and licenses. The related participation right was subsequently transferred to Guangzhou Qucheng, the Target Company’s wholly owned subsidiary.

2. Acquisition of Uki Group

Uki Technology Limited and its onshore subsidiaries (the “**Uki Group**”) primarily engaged in the online social networking business through the operation of a mobile application chatting platform called “Uki”. In addition, Uki Group also engaged in multi-channel network business (the “**MCN Business**”). The Target Company became acquainted with Uki Group in the second half of 2020 through Matrix Partners China V Hong Kong Limited, which is the Target Company’s Pre-Listing Investor and was one of the then shareholders of Uki Technology Limited. After communication with the then management team of Uki Group and understanding of Uki Group’s business, the Target Group believes that Uki Group’s social interactions scenarios and user community is complementary to the Target Group and therefore continued exploring the possibility of the acquisition. With a view to expanding its online social networking business, further developing social networking features and functions on its platforms and apps and providing differentiated social experience to its users, on April 1, 2021, Guangzhou Quwan entered into an agreement with, amongst others, the Uki Group and its shareholders. Pursuant to the agreement, Guangzhou Quwan acquired licenses, technologies, domain names, trademarks, copyright and other assets in relation to the online social networking business of the Uki Group and the equity interest in certain members of Uki Group (namely Shanghai Xiaojianbing, Shanghai Chenlong and Chengdu Spherical World (the “**Uki Companies**”)), which are the operational or holding companies of Uki app and the online

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

social networking business. In consideration of the Target Group’s business and growth strategy, entities and assets in relation to the MCN Business of the Uki Group were not included in this acquisition. The consideration for the acquisition primarily comprised: (i) cash consideration of approximately RMB10,138,000, which was offset against a loan provided by the Target Group to Uki Group to support its business operations and working capital requirements prior to the completion of the acquisition in the amount of RMB10,000,000 with a term of six months and the interests incurred thereon at an annual interest rate of 8%; (ii) 2,013,233 options granted by the Target Company to the management of Uki Group on the condition that such options shall be subject to the terms of the employee share option scheme of the Target Company; (iii) 752,860 ordinary Shares issued and allotted to Iridescent Rainbow Limited, a limited liability company established in BVI by certain shareholders of Uki Technology Limited on the condition that the shareholders of Iridescent Rainbow Limited are only entitled to the economic interests in the Shares held by Iridescent Rainbow Limited and the voting rights attached to such Shares shall be exercised by an entity nominated by Guangzhou Quwan. As of the Latest Practicable Date, as nominated by Guangzhou Quwan, the voting rights were exercised by Sun Mingjun, who was the founder of certain companies in the Uki Group and joined the Target Group after the acquisition of Uki Group as the business manager of the Uki Companies; (iv) 2,521,935 ordinary Shares issued and allotted to Matrix Partners China V Hong Kong Limited, being a shareholder of Uki Technology Limited; and (v) a cash consideration of approximately RMB2,103,000 (or the equivalent in U.S. dollars) payable to Hengchuang International Ltd., being a shareholder of Uki Technology Limited. The consideration of the acquisition was determined after arms’ length negotiations between the parties, with reference to the valuation reports issued by independent valuers. The acquisition has been properly and legally completed in April 2021, with all applicable requisite regulatory approvals obtained.

Save as otherwise disclosed above, to the best knowledge of the Target Company, Uki Technology Limited, its shareholders and the members of the Uki Group are Independent Third Parties. Upon completion of the acquisition, the Target Company started the operation of “Uki” and the Uki Companies became indirect wholly owned subsidiaries of Guangzhou Quwan.

3. Minority Investments

During the Track Record Period, the Target Company also made minority investments in some companies (“**Investee Companies**”). The amounts of investments were determined through arm’s length negotiation with reference to, amongst other factors, the net asset value of the Investee Companies. These companies principally engage in activities including but not limited to website developing industry, digital culture software development, computer system services, development and commercialization of mini game battle royale, operation and services of online social apps and immersive content, video platform.

As none of the applicable percentage ratios as defined under the Listing Rules in respect of any of the above acquisitions of Xiamen Saimalei or Uki Group or the abovementioned minority investments exceeds 25%, the relevant pre-acquisition financial information of Xiamen Saimalei, Uki Group or the Target Group’s above Investee Companies is not required to be disclosed in the circular pursuant to Rule 4.05A of the Listing Rules.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

The Target Group has made certain investments since June 30, 2023 (being the date to which the Target Group’s latest audited accounts have been made up) and up to the Latest Practicable Date. The Target Company has applied for a waiver from compliance with the requirement to disclose the financial information of investee companies during the Track Record Period under Rules 4.04(2) and (4) of the Listing Rules. Please refer to the section headed “Waivers and Exemptions – Waiver in Respect of Business Acquired After the Track Record Period” for the details of the waiver application.

MAJOR SHAREHOLDING CHANGES OF THE TARGET GROUP

(a) Major subsidiaries and operating entities of the Target Group

Guangzhou Quwan

The Target Group commenced operations with the establishment of Guangzhou Quwan, its principal operating entity in the PRC on December 13, 2014, as a limited liability company in the PRC with an initial registered capital of RMB10,000,000 which was held in the following manner.

Name of Shareholder	Amount of Registered Capital Subscribed (RMB in thousands)	Percentage Ownership (%)
SONG Ke	4,465	44.65
QIU Zhizhao ⁽¹⁾	564	5.64
YU Teng ⁽²⁾	423	4.23
ZHOU Yang ⁽²⁾	1,128	11.28
CHEN Guangyao	470	4.7
Zhuhai Xinghui Investment Co., Ltd. (珠海星輝投資管理有限公司) ⁽²⁾	2,750	27.5
Xinyu High-tech Zone Houhe Investment Management Center (Limited Partnership) (新余高新區厚合投資管理中心(有限合 伙)) ⁽²⁾	200	2
Total	10,000	100

Notes:

- (1) QIU Zhizhao is one of the Target Group founders and a minority shareholder of Guangzhou Quwan.
- (2) YU Teng and ZHOU Yang had been employed by Guangzhou Quwan since its establishment until they left Guangzhou Quwan in 2019 and 2020 respectively. Zhuhai Xinghui Investment Co., Ltd. (珠海星輝投資管理有限公司) and Xinyu High-tech Zone Houhe Investment Management Center (Limited Partnership) (新余高新區厚合投資管理中心(有限合伙)) are both independent investors specializing in equity investments.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

Since its incorporation and up to March 2016, Guangzhou Quwan underwent two rounds of increase in its share capital and its shareholders also effected share transfer. The table below sets out the shareholding structure of Guangzhou Quwan upon completion of such capital increase and the share transfer:

Name of Shareholder	Amount of Registered Capital Subscribed (RMB in thousands)	Percentage Ownership (%)
SONG Ke	2,749.57	25.81
CHEN Guangyao	352.5	3.31
QIU Zhizhao	423	3.97
ZHOU Yang	846	7.94
YU Teng	317.25	2.98
Xinyu High-tech Zone Houhe Investment Management Center (Limited Partnership) (新余高新區厚合投資管理中心(有限合伙))	200	1.88
Zhuhai Xinghui Investment Co., Ltd. (珠海 星輝投資管理有限公司)	3,502.28	32.87
Zhangshu Yiqu Investment Management Center (Limited Partnership) (樟樹市誼趣 投資管理中心(有限合伙)) ⁽¹⁾	132.08	1.24
Zhangshu Shangqu Investment Management Center (Limited Partnership) (樟樹市尚趣 投資管理中心(有限合伙)) ⁽²⁾	39.83	0.37
Zhangshu Weiqu ⁽³⁾	427.28	4.01
Xiamen Quji ⁽³⁾	1,664.16	15.62
Total	10,653.94	100.00

Notes:

- (1) Mr. Song was then general partner of Zhangshu Yiqu Investment Management Center (Limited Partnership).
- (2) Mr. Song was then general partner of Zhangshu Shangqu Investment Management Center (Limited Partnership).
- (3) Mr. Song is the general partner of Zhangshu Weiqu and Xiamen Quji.

From 2014 to 2020, certain then shareholders disposed of their respective shareholdings in Guangzhou Quwan based on their own investment decisions taking into account, amongst others, their respective investment strategies, funding needs and the amounts of consideration to be paid by the transferee. From 2018 to 2020, Mr. Song, and several entities owned by him and other management of the Target Company (collectively, the “**Management Buyers**”) entered into a series of equity interest transfer agreements with the other shareholders of

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

Guangzhou Quwan to further acquire approximately 49.36% equity interests in Guangzhou Quwan for a total consideration of RMB370.10 million. The consideration was determined after arms’ length negotiations between the parties, taking into account Guangzhou Quwan’s total assets and liabilities and its profitability. The acquisitions were properly and legally completed by September 9, 2020. The table below sets out the shareholding structure of Guangzhou Quwan upon completion of the acquisitions:

Name of Shareholder	Amount of Registered Capital Subscribed (RMB in thousands)	Percentage Ownership (%)
SONG Ke	3,771.42	35.40
QIU Zhizhao	423	3.97
CHEN Guangyao	352.50	3.31
Shanghai Qushen ⁽¹⁾	2,436.88	22.87
Wenzhou Huanqu ⁽¹⁾	1,046	9.82
Zhangshu Weiqu ⁽¹⁾	427.28	4.01
Xiamen Quji ⁽¹⁾	1,664.16	15.62
Guangzhou Quyi ⁽²⁾	532.70	5
Total	10,653.94	100.00

Notes:

- (1) Mr. Song is the general partner of Zhangshu Weiqu, Xiamen Quji, Shanghai Qushen and Wenzhou Huanqu.
- (2) Song Guowen, Mr. Song’s brother, is the general partner of Guangzhou Quyi.

To facilitate the payment of the consideration for the above acquisition, Guangzhou Quwan extended several loans in an aggregate amount of approximately RMB388,400,000 to the Management Buyers. The loans were repayable on demand without interest or had terms from one to three years with interest rate of 4.05% or 4.15% per annum. During the process of the reorganization, the interests in relation to the loans to Management Buyer were waived by Guangzhou Quwan and the loans were fully repaid by the Management Buyers by June 2021.

As Guangzhou Quwan continued to generate profit, in August 2020, Guangzhou Quwan declared special dividends of approximately RMB112,000,000 from its undistributed after-tax distributable profits as of June 30, 2020 (the “**August 2020 Dividend**”), and directly distributed them to its shareholder Wenzhou Huanqu, a partnership controlled by Mr. Song, to recognize Mr. Song’s contribution to the Target Group. In April 2021, Guangzhou Quwan declared special dividends of approximately RMB230,000,000 from its undistributed profits as of December 31, 2020 (the “**April 2021 Dividend**”), and directly distributed them to its shareholder Shanghai Qushen, a partnership the general partner of which is Mr. Song to

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recognize the management’s loyalty and contribution to the Target Group. The portion of August 2020 Dividend forfeited by all other the then Guangzhou Quwan’s shareholders (including Mr. Song, Mr. Qiu Zhizhao, Mr. Chen Guangyao, Shanghai Qushen, Xiamen Quji, Guiyang Quwen Enterprise Management Partnership (Limited Partnership) and Zhangshu Weiqu) and April 2021 Dividend forfeited by all other the then Guangzhou Quwan’s shareholders (including Mr. Song, Mr. Qiu Zhizhao, Mr. Chen Guangyao, Wenzhou Huanqu, Zhangshu Weiqu, Xiamen Quji and Guangzhou Quyi) was deemed and recorded in the financial statements of the Target Company as the capital contribution of such other shareholders of Guangzhou Quwan and wages, salaries and bonuses to Mr. Song and certain other Management Buyer for their services. In preparation for the listing of the Shares, the August 2020 Dividend and April 2021 Dividend were mainly used to settle the loans owed by Mr. Song and other Management Buyers to Guangzhou Quwan for the acquisition of equity interest in Guangzhou Quwan. All the then shareholders of Guangzhou Quwan as aforementioned agreed to forfeit their share of dividends. These shareholders and the pre-Listing investors were fully aware of such arrangement and agreed to or acknowledged such arrangements and the distribution of the August 2020 Dividend and April 2021 Dividend through approving the relevant shareholders resolutions, and executing the shareholders agreements or the share purchase agreements (as the case may be). Furthermore, all the then shareholders of Guangzhou Quwan through signing the shareholder resolutions agreed that any shareholders’ income taxes incurred from the dividend distributions should be borne by the shareholders who received the dividends.

All partners of Wenzhou Huanqu and Shanghai Qushen are natural persons. According to the PRC tax laws and regulations, the partners of Wenzhou Huanqu and Shanghai Qushen who received the dividends shall pay the personal income tax and Wenzhou Huanqu and Shanghai Qushen shall bear the obligation of withholding such personal income tax. All the partners of Wenzhou Huanqu and Shanghai Qushen (including Mr. Song as a general partner and certain Management Buyers as limited partners) have paid the personal income tax for August 2020 Dividend and April 2021 Dividend, respectively. All other Guangzhou Quwan’s the then shareholders who forfeited August 2020 Dividend and April 2021 Dividend do not have obligation to pay or withhold such income tax for the distribution of August 2020 Dividend and April 2021 Dividend. According to the PRC tax laws and regulations and the shareholder resolutions, Guangzhou Quwan has no obligation to pay or withhold such tax for the distribution of August 2020 Dividend and April 2021 Dividend.

Based on the above, PRC Legal Advisor to the Target Company is of view that Guangzhou Quwan did not violate the requirements of applicable PRC laws and regulations, including the tax laws, in all material aspects in terms of the above arrangements in relation to the distribution of August 2020 Dividend and April 2021 Dividend.

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Guangzhou Yongjie

Guangzhou Yongjie is a wholly owned subsidiary of the Target Company incorporated in the PRC on July 12, 2019 with a registered capital of US\$32,000,000. Upon its establishment, the registered capital of Guangzhou Yongjie was held as to 100% by Quwan HK. On December 14, 2020 the registered capital of Guangzhou Yongjie was increased from US\$32,000,000 to US\$100,000,000.

Guangzhou Shabake

Guangzhou Shabake is a limited liability company established in the PRC on October 21, 2015 with a registered capital of RMB10,000,000. Upon its establishment, the registered capital of Guangzhou Shabake was held as to 100% by Guangzhou Quwan.

Guangzhou Qucheng

Guangzhou Qucheng is a limited liability company established in the PRC on October 12, 2021 with an initial registered capital of RMB1,000,000. Upon its establishment, the registered capital of Guangzhou Qucheng was held as to 100% by Guangzhou Quyan. On March 3, 2023, the registered capital of Guangzhou Qucheng was increased from RMB1,000,000 to RMB30,000,000.

(b) The Target Company

The Target Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 29, 2019 as the offshore holding company of the Target Group to facilitate offshore financing. The initial authorized share capital of the Target Company was US\$50,000 divided into 500,000,000 ordinary shares with a par value of US\$0.0001 each. On the same day, one Share was allotted and issued at par value to the initial subscriber which is an Independent Third Party and then transferred to Exploring Time Limited at par value. Exploring Time Limited is wholly owned by Mr. Song. Such share was subsequently transferred to Funplus at par value on November 11, 2020.

On November 11, 2020, (i) 38,947,024 Shares were allotted and issued at par value to Funplus, (ii) 5,640,000 Shares were allotted and issued at par value to Fiery Dragon, and (iii) 10,656,352 Shares were allotted and issued at par value to Peerless Hero. On the same day, 17,723,079 Series Angel Preferred Shares were allotted and issued at par value to Vanker.

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The Shares and the Series Angel Preferred Shares issued on November 11, 2020 are set forth in the table below:

Name of the Shareholder	Number of Series Angel Preferred Shares	Number of Shares
Funplus ⁽¹⁾	–	38,947,024
Vanker ⁽²⁾	17,723,079	–
Fiery Dragon ⁽³⁾	–	5,640,000
Peerless Hero ⁽⁴⁾	–	10,656,352
	<hr/>	<hr/>
Total	<u>17,723,079</u>	<u>55,243,376</u>

Notes:

- (1) Funplus is a company incorporated in the BVI on September 10, 2019 and was then wholly owned by Exploring Time Limited, being a wholly owned subsidiary of Mr. Song. On July 21, 2021, Exploring Time Limited transferred its share in Funplus to Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust.
- (2) Vanker is a company incorporated in the BVI on September 10, 2019 and was then wholly owned by Exploring Time Limited, being a wholly owned subsidiary of Mr. Song. On July 21, 2021, Exploring Time Limited transferred its share in Vanker to Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust.
- (3) Fiery Dragon is a company incorporated in the BVI on May 27, 2019 and is wholly owned by Mr. Qiu Zhizhao, one of the Target Group founders and a minority shareholder of Guangzhou Quwan.
- (4) Peerless Hero is a company incorporated in the BVI on May 27, 2019 and is wholly owned by Mr. Chen Guangyao, an executive Director of the Successor Company.

On December 10, 2020, (i) 8,524,297 Shares were allotted and issued at par value to Yun Qu, and (ii) 8,534,952 Shares were allotted and issued at par value to Galaxy Nebula Limited.

The Shares issued on December 10, 2020 are set forth in the table below:

Name of the Shareholder	Number of Shares
Yun Qu ⁽¹⁾	8,524,297
Galaxy Nebula Limited ⁽²⁾	8,534,952
	<hr/>
Total	<u>17,059,249</u>

- (1) Yun Qu is a company incorporated in the BVI on October 16, 2020 and is wholly owned by Mr. Du Guo, a former Director of the Target Company.
- (2) Galaxy Nebula Limited is a company incorporated in the BVI on October 16, 2020. Galaxy Nebula Limited is owned as to approximately 51.18% by Long Ling, approximately 48.62% by Kong Xiangyi, approximately 0.20% by Mr. Song.

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On December 28, 2020, the Target Company repurchased 1,948,890 Shares from Funplus, 649,630 Shares from Fiery Dragon, 649,630 Shares from Peerless Hero, 974,445 Shares from Yun Qu and 974,445 Shares from Galaxy Nebula Limited, respectively, at an aggregate consideration of US\$16,000,000. On February 7, 2021, the Target Company repurchased 2,589,255 ordinary shares from Galaxy Nebula Limited at a consideration of approximately US\$3,080,000.

On March 19, 2021, the Target Company issued 10,440,854 Series Angel Preferred Shares to Dream League Limited for nominal cash consideration as part of the offshore restructuring of the Target Company. Dream League Limited is owned by Song Guowen, Chen Fangping, Zhu Lin and Zhang Dongmei who, prior to the completion of its restructuring, held equity interests in Guangzhou Quwan substantially in proportion to their respective beneficial ownership in the Target Company. Song Guowen is the brother of Mr. Song. Zhang Dongmei is the spouse of Lyu Shaoyu, an executive Director and chief financial officer of the Target Company. Each of Chen Fangping and Zhu Lin is an Independent Third Party.

On April 21, 2021, (i) 752,860 Shares were allotted and issued to Iridescent Rainbow Limited, one of the Target Company’s pre-Listing investors and (ii) 2,521,935 Shares were allotted and issued to Matrix Partners China V Hong Kong Limited as the consideration share of the acquisition of Uki Group. Please refer to the subsection headed “Major Acquisitions, Disposals, Mergers and Minority Investments – 2. Acquisition of Uki Group” for more details.

On June 15, 2021, 2,828,336 Shares were transferred by Funplus to Image Frame Investment (HK) Limited for a total consideration of US\$15,000,000 and such Shares were re-designated as Series C Preferred Shares.

On December 23, 2021, out of the internal reorganization of Matrix Partners, (i) 2,284,369 and 237,566 ordinary Shares were transferred by Matrix Partners China V Hong Kong Limited on a pro rata basis at par value to its shareholders, Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P., respectively, which share the same general partner; and (ii) 11,723,224 Series A Preferred Shares and 2,930,806 Series B Preferred Shares were transferred by Matrix Partners China VI Hong Kong Limited to its shareholder, Matrix Partners China VI, L.P. at par value while 1,269,377 Series A Preferred Shares and 317,344 Series B Preferred Shares were transferred by Matrix Partners China VI Hong Kong Limited to its another shareholder, Matrix Partners China VI-A, L.P. at par value. The share transfers by Matrix Partners China VI Hong Kong Limited were made on a pro rata basis to Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P., which share the same general partner.

To the best knowledge of the Target Company’s Directors, Beautiful Success Holdings Limited, the then Series B+ and Series C Investor, would like to streamline their investment portfolio and realize their investment in the Target Company. Beautiful Success Holdings Limited (i) agreed to transfer 2,165,440 Series B+ Preferred Shares and 1,295,756 Series C Preferred Shares to Vision Pro Capital Limited at an aggregate consideration of US\$20,000,000 on June 12, 2023; and (ii) agreed to transfer 3,031,601 Series B+ Preferred Shares and 971,806 Series C Preferred Shares to Wisdom Pro Capital Limited at an aggregate consideration of US\$21,500,000 on June 12, 2023. The consideration for the aforementioned transfers was determined after taking into account the aggregate investment amount paid by Beautiful

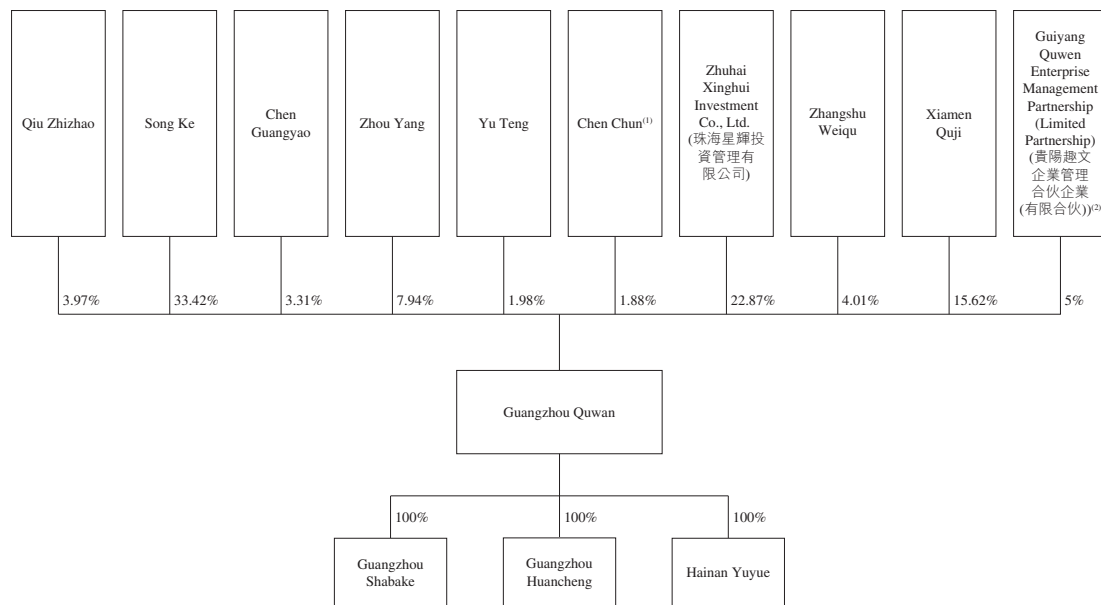
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Success Holdings Limited for the Series B+ Preferred Shares in October 2020 and Series C Preferred Shares in June 2021, and the business development of the Target Group over the years since the investment by Beautiful Success Holdings Limited. The considerations were fully settled on June 14, 2023.

Please refer to the subsection headed “Pre-Listing Investments” for the details of the investment made by the Pre-Listing Investors in the Target Company.

REORGANIZATION

The following chart sets forth the simplified Target Group’s corporate and shareholding structure immediately prior to the commencement of the Reorganization on May 29, 2019.



Notes:

- (1) Chen Chun is an Independent Third Party and became acquainted with the Target Company and Mr. Song through introduction by other investors of Guangzhou Quwan.
- (2) Mr. Song is the general partner of Guiyang Quwen Enterprise Management Partnership (Limited Partnership) (貴陽趣文企業管理合夥企業(有限合夥)).

In preparation for the Listing, the Target Group underwent the following Reorganization steps:

1. Incorporation of the Target Company

On May 29, 2019, the Target Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of the Target Group, as part of the Reorganization. Upon incorporation, the authorized share capital of the Target Company was US\$50,000 divided into 500,000,000 shares with par value of US\$0.0001 each.

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2. Incorporation of Quwan HK

On June 13, 2019, Quwan HK was incorporated in Hong Kong as a limited liability company and as an intermediate holding company of the Target Group with the Target Company as the sole shareholder.

3 Incorporation of Guangzhou Yongjie

On July 12, 2019, Guangzhou Yongjie was established in the PRC as a limited liability company with Quwan HK as the sole shareholder.

4. Contractual Arrangements in respect of Guangzhou Quwan

On November 3, 2020, Guangzhou Yongjie, a wholly owned subsidiary of the Target Company, entered into various agreements (later amended and restated on October 11, 2021) that constituted the Contractual Arrangements with, among others, Guangzhou Quwan, the Registered Shareholders of Guangzhou Quwan and the general partners of limited partnership Registered Shareholders of Guangzhou Quwan (as the case may be), pursuant to which Guangzhou Yongjie would exercise effective control over the operations of, and enjoy substantially all the economic benefits of Guangzhou Quwan and its subsidiaries, which in turn holds certain of the Target Group’s licenses and permits necessary to operate its businesses. Please refer to the sections headed “Contractual Arrangements of the Target Group” and “Connected Transactions” for details of the Contractual Arrangements.

PRE-LISTING INVESTMENTS

The Target Company underwent several rounds of Pre-Listing Investments as detailed below.

1. Series A investment

On April 13, 2020, the Target Company, Mr. Song, Matrix Partners China V Hong Kong Limited and Skycus China Fund, L.P., amongst others, entered into a convertible note purchase agreement (the “**Note Purchase Agreement**”), pursuant to which Matrix Partners China V Hong Kong Limited purchased a convertible promissory note (the “**Original Matrix Note**”) issued by the Target Company in the principal amount of US\$13,880,000 and Skycus China Fund, L.P. purchased a convertible promissory note (the “**Skycus Note**”) issued by the Target Company in the principal amount of US\$11,120,000. Interest under the Original Matrix Note and the Skycus Note accrues at a rate of 8% per annum on the outstanding principal amount from the date of the notes until the date of full payment of the outstanding principal amounts of notes or conversion of the entire amount of the notes into Shares of the Target Company. Pursuant to the terms of the Original Matrix Note and the Skycus Note, the number of Shares to be issued upon conversion of the notes shall be calculated by dividing the outstanding principal amount by the conversion price and the conversion price shall be calculated by dividing US\$215,000,000 by the total number of outstanding Shares immediately prior to the conversion of the notes (on a fully diluted basis).

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Matrix Partners China V Hong Kong Limited and Matrix Partners China VI Hong Kong Limited further entered into a loan assignment agreement, pursuant to which, Matrix Partners China V Hong Kong Limited assigned all its rights, title, interest and obligations under the Note Purchase Agreement and the Original Matrix Note to Matrix Partners China VI Hong Kong Limited. On August 14, 2020, the Target Company issued a convertible promissory note in the principal amount of US\$13,880,000 to Matrix Partners China VI Hong Kong Limited (the “**Matrix Note**”, together with the Skycus Note, the “**Notes**”). The Original Matrix Note was terminated in its entirety and was surrendered to the Target Company upon the issue of the Matrix Note.

On November 11, 2020, the Target Company, among others, entered into a Series A Preferred Share Purchase Agreement with its Series A investors (the “**Series A Investors**”), namely Matrix Partners China VI Hong Kong Limited and Skycus China Fund, L.P., pursuant to which the Series A Investors agreed to subscribe for 23,386,682 Series A Preferred Shares in aggregate to be issued by the Target Company for an aggregate consideration of US\$47,195,123.00 constituting cash of US\$22,195,123.00 and the Notes of US\$25,000,000.00. Such consideration was fully settled on November 13, 2020.

Name of Series A Investor	Number of Series A Preferred Shares	Consideration
Matrix Partners China VI Hong Kong Limited ⁽¹⁾	12,992,601	US\$26,219,512.30 constituting cash of US\$12,339,512.30 and the Matrix Note of US\$13,880,000.00
Skycus China Fund, L.P. ⁽¹⁾	<u>10,394,081</u>	<u>US\$20,975,610.70</u> constituting cash of US\$9,855,610.70 and the Skycus Note of US\$11,120,000.00
Total	<u>23,386,682</u>	<u>US\$47,195,123.00</u> constituting cash of US\$22,195,123.00 and the Notes of US\$25,000,000.00

Note:

- (1) Please refer to the subsection headed “Pre-Listing Investments – 7. Information about the Pre-Listing Investors” for more details of the investors.

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2. Series B investment and Series B+ investment

Pursuant to the Series B Preferred Share Purchase Agreements dated December 10, 2020, the Series B Investors, namely Matrix Partners China VI Hong Kong Limited and Duckling Fund, L.P., agreed to subscribe for 12,992,601 Series B Preferred Shares in aggregate to be issued by the Target Company for a total consideration of US\$40,000,000, which was fully settled on December 28, 2020.

The Series B Preferred Shares were issued on December 10, 2020, as set forth in the table below:

Name of Shareholder	Number of Series B Preferred Shares	Consideration
Matrix Partners China VI Hong Kong Limited ⁽¹⁾	3,248,150	US\$10,000,000
Duckling Fund, L.P. ⁽¹⁾	9,744,451	US\$30,000,000
Total	<u>12,992,601</u>	<u>US\$40,000,000</u>

Note:

(1) Please refer to the subsection headed “Pre-Listing Investments – 7. Information about the Pre-Listing Investors” for more details of the investors.

Pursuant to the Series B+ Preferred Share Purchase Agreements dated December 29, 2020, the then Series B+ Investor, namely Beautiful Success Holdings Limited, agreed to subscribe for 5,197,041 Series B+ Preferred Shares to be issued by the Target Company for an aggregate consideration of US\$20,000,000, which was fully settled on December 30, 2020.

The Series B+ Preferred Shares were issued on December 29, 2020, as set forth in the table below:

Name of Shareholder	Number of Series B+ Preferred Shares	Consideration
Beautiful Success Holdings Limited ⁽¹⁾	5,197,041	US\$20,000,000
Total	<u>5,197,041</u>	<u>US\$20,000,000</u>

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Note:

- (1) Beautiful Success Holdings Limited is owned by Orchid Asia VII, L.P. as to 93% and Orchid Asia VII Co-Investment, Limited as to 7%. Orchid Asia VII, L.P. is principally engaged in equity investments in private companies with total fund size of approximate US\$1.3 billion. Orchid Asia VII Co-Investment, Limited is an entity incorporated to invest alongside with Orchid Asia VII, L.P. Orchid Asia Group invests in Gaming and TMT industry, consumer and healthcare related industry including but not limited to Trip.com Group Limited (NASDAQ: TCOM), Autohome Inc. (NYSE: ATHM) and Chaoju Eye Care Holdings Limited (HKEX: 2219) in the past. Orchid Asia VII Co-Investment, Limited is wholly owned by AREO Holdings Limited. Orchid Asia VII, L.P. is controlled by OAVII Holdings, L.P., which is controlled by Orchid Asia VII GP, Limited. All limited partners of Orchid Asia VII, L.P. and OAVII Holdings, L.P. are Independent Third Parties. Orchid Asia VII GP, Limited is wholly owned by Orchid Asia V Group Management Limited, which is wholly owned by Orchid Asia V Group, Limited, which is in turn wholly owned by AREO Holdings Limited. AREO Holdings Limited is wholly owned by Ms. Lam Lai Ming, and is controlled by Mr. Gabriel Li by virtue of his directorship there. To the best of the Target Company’s Directors’ knowledge, each of Ms. Lam Lai Ming and Mr. Gabriel Li is an Independent Third Party.

3. Series C investment

Pursuant to the Series C Preferred Share Purchase Agreements dated June 4, 2021, the Series C Investors, namely Image Frame Investment (HK) Limited, 3W Global Fund, and Beautiful Success Holdings Limited, agreed to subscribe for 6,802,686 Series C Preferred Shares in aggregate to be issued by the Target Company for a total consideration of US\$45,000,000, which was fully settled on June 17, 2021.

The Series C Preferred Shares were issued on June 15, 2021, as set forth in the table below:

Name of Shareholder	Number of Series C Preferred Shares	Consideration
Image Frame Investment (HK) Limited ⁽¹⁾	2,267,562	US\$15,000,000
3W Global Fund ⁽¹⁾	2,267,562	US\$15,000,000
Beautiful Success Holdings Limited ⁽²⁾	2,267,562	US\$15,000,000
Total	<u>6,802,686</u>	<u>US\$45,000,000</u>

Notes:

- (1) Please refer to the subsection headed “Pre-Listing Investments – 7. Information about the Pre-Listing Investors” for more details of the investors.
- (2) Please refer to the subsection headed “Pre-Listing Investments – 2. Series B investment and Series B+ investment” for the background of Beautiful Success Holdings Limited.

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4. Principal Terms of the Pre-Listing Investments

The below table summarizes the principal terms of the Pre-Listing Investments:

	Series A	Series B	Series B+ ⁽⁶⁾	Series C ⁽⁶⁾
Date of initial share purchase agreement	November 11, 2020	December 10, 2020	December 29, 2020	June 4, 2021
Date on which the investment was fully settled ⁽¹⁾	November 13, 2020	December 28, 2020	December 30, 2020	June 17, 2021
Total number of shares subscribed	23,386,682	12,992,601	5,197,041	6,802,686
Funds raised by the Target Group	US\$47,195,123	US\$40,000,000	US\$20,000,000	US\$45,000,000
Cost per share paid (US\$)	US\$2.02	US\$3.08	US\$3.85	US\$6.62
Discount to the Transaction Price (approximation) ⁽²⁾	72.14%	57.50%	46.88%	8.69% ⁽⁵⁾
Corresponding valuation of the Target Company (approximation)	US\$262,195,123	US\$440,000,000 ⁽³⁾	US\$550,000,000	US\$1,045,000,000 ⁽⁴⁾
Basis of determining the consideration paid	The consideration for each round of the Pre-Listing Investments was determined based on arm’s length negotiations between the Target Company and the Pre-Listing Investors after taking into consideration the timing of the Pre-Listing Investments, the Target Group’s then valuation when the respective investment agreements were entered into and the business operations and financial performance of the Target Group.			
Lock-up period	Lock-up undertakings [have been] given to the Target Company and the Sole Sponsor, pursuant to which each Pre-Listing Investor has agreed that, subject to the terms of such lock-up undertakings, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date dispose of any of the Target Company Shares held by such Pre-Listing Investor immediately following the Listing (save and except only in respect of 3W Global Fund, the lock-up securities shall refer to two-third of the Successor Company Shares held by it immediately following the Listing ⁽⁷⁾).			
Use of proceeds from the Pre-Listing Investments	We utilized the proceeds for the principal business of the Target Group as approved by the Board, including for the purpose of business expansion and general working capital. As of the Latest Practicable Date, approximately 63.6% proceeds from the Pre-Listing Investments has been utilized.			
Strategic benefits from the Pre-Listing Investors	At the time of the Pre-Listing Investments, the Target Company Directors were of the view that the Target Company would benefit from the additional capital provided by the Pre-Listing Investors’ investments in the Target Company and the Pre-Listing Investors’ knowledge and experience.			

Notes:

- (1) Date of full settlement refers to the date when the underlying shares have been issued to the Pre-Listing Investors upon irrevocable settlement and receipt of funds by the Target Company.
- (2) The discount to the Transaction Price is calculated based on a Transaction Price of HK\$10.0 per share and the number of Target Company Shares held by the Pre-Listing Investors after Capitalization Issue.
- (3) The difference between the valuation for Series A investment and the valuation for Series B investment was primarily due to the following reasons: (1) part of the consideration for Series A investment was settled through conversion of convertible bonds issued to the Series A Investors and the conversion price was determined upon issuance of the convertible bonds in April 2020; and (2) the increase of the user numbers and the business expansion of the Target Group from April to December 2020.

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- (4) The increase in the valuation of the Target Company was due to the significant increase of its user numbers and its revenue in the first few months of 2021 and the investor’s confidence in the prospect of the business of the Target Company and future business cooperation with the Target Company.
- (5) The share price of the Target Company for series C investment was determined based on the financial performance and business operation of the Target Group in 2020 and the first few months of 2021. The discount to the Transaction Price was primarily due to: (i) the significant increase of the Target Group’s revenue and user number from 2020 to 2021; and (ii) the increased liquidity of the Target Company Shares upon the completion of the De-SPAC transaction.
- (6) Beautiful Success Holdings Limited, the then Series B+ and Series C Investor transferred all of its Series B+ Preferred Shares and Series C Preferred Shares, and the considerations were fully settled on June 14, 2023. For further details, please refer to the subsection headed “Major Shareholding Changes of the Target Group – (b) The Target Company”.
- (7) Immediately upon completion of the De-SPAC Transaction, 3W Global Fund will hold 12,812,973 Successor Company Shares, representing: (a) approximately 1.31% of the voting rights of the Successor Company (assuming that (i) the Target Capital Restructuring is completed; (ii) no SPAC Class A Shareholders exercise their Redemption Right with respect to their SPAC Class A Shares; (iii) no SPAC Class A Shareholders exercise their Appraisal Right; (iv) 63,186,508 Successor Company Shares (subject to adjustments) are issued to the PIPE Investors pursuant to the PIPE Investment Agreements and (v) there is no Permitted Equity Financing), or (b) approximately 1.47% of the voting rights of the Successor Company (assuming that (i) the Target Capital Restructuring is completed; (ii) all SPAC Class A Shareholders exercise their Redemption Right and/or Appraisal Right with respect to their SPAC Class A Shares; (iii) 63,340,546 Successor Company Shares (subject to adjustments) are issued to the PIPE Investors pursuant to the PIPE Investment Agreements and (iv) there is no Permitted Equity Financing).

5. Special Rights of the Pre-Listing Investors

The Target Company and, among others, the Pre-Listing Investors entered into the share purchase agreements and the shareholders agreements, pursuant to which certain shareholder rights were agreed among the parties. Pursuant to the share purchase agreements, the shareholders agreements and the then memorandum and articles of association of the Target Company, certain Pre-Listing Investors have, among other rights, (i) information rights; (ii) the right to designate directors; (iii) registration rights; (iv) right of first-refusal; (v) right of co-sale; (vi) redemption rights; (vii) right of prior consent to corporate actions; and (viii) the right to nominate new management personnel to the Target Company subject to the approval of the board of the Target Company and which the board is not contractually obligated to approve (the “**right to nominate senior management**”).

The redemption rights of the Pre-Listing Investors had been suspended immediately before the first filing of the application for the listing of the Target Company Shares on the Stock Exchange and resumed exercisable upon the expiry of 6 months from the day of the first filing of the listing application by the Target Company, being October 19, 2021 (the “**First Filing Date**”). The redemption rights have been suspended again pursuant to the amended shareholders agreement on June 14, 2023 and shall resume to be exercisable upon the earliest of (i) the withdrawal of the listing application by the Target Company and the reapplication is not made within one month (or such longer period as the holders of the Series C Preferred Shares, the Series B+ Preferred Shares, the Series B Preferred Shares and the Series A Preferred Shares then outstanding and the Target Company agree in writing); or (ii) the rejection of the listing application by the Hong Kong Stock Exchange; or (iii) the expiry of 39 months from the First Filing Date if no Qualified Listing has been consummated by then (or such later date as the holders of the Series C Preferred Shares, the Series B+ Preferred Shares,

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the Series B Preferred Shares and the Series A Preferred Shares then outstanding and the Target Company agree in writing). All other special rights (except the right to nominate senior management which the board of the Target Company is not contractually obligated to approve) of the Pre-Listing Investors granted under the foregoing documents will be automatically terminated upon the completion of a Qualified Listing in Hong Kong. Qualified Listing means (i) public offering of ordinary Shares of the Target Company (or securities representing such ordinary Shares) registered under the Securities Act at a specified implied post-money valuation or more, or in a similar public offering of ordinary Shares, or (ii) a De-SPAC transaction with a special purpose acquisition company other than Vision Deal where the Target Company has a specified market capitalization calculated based on the number of ordinary shares of the Target Company in issue upon completion of the De-SPAC transaction multiplied by the issue price per ordinary share of the Target Company to be subscribed by PIPE investors pursuant to PIPE investment agreements which form part of the De-SPAC transaction, in a jurisdiction and on an internationally recognized securities exchange or inter-dealer quotation system outside of the United States, including the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Stock Exchange of Hong Kong Limited or such other stock exchange, which shall be approved by the holder(s) representing at least fifty percent (50%) of the voting power of the then outstanding Preferred Shares (voting together as a single class and calculated on an as-converted basis) and the holder(s) representing more than fifty percent (50%) of ordinary Shares issued and outstanding or (iii) a De-SPAC transaction with Vision Deal where the Target Company has a specified market capitalization calculated based on the number of ordinary shares of the Target Company in issue upon completion of the De-SPAC transaction multiplied by the issue price per ordinary share of the Target Company to be subscribed by PIPE investors pursuant to PIPE investment agreements which form part of the De-SPAC transaction on the Stock Exchange, provided the public offering mentioned in (i) is equivalent to the aforementioned in terms of offering proceeds and regulatory approval. The right to nominate senior management granted to the relevant Pre-Listing Investors which the Board is not contractually obligated to approve will survive Listing.

6. Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the consideration for the Pre-Listing Investments was settled more than 28 clear days before the date of the first submission of the listing application to the Stock Exchange in relation to the De-SPAC Transaction, (ii) all special rights (except the right to nominate senior management) of the Pre-Listing Investors granted will be automatically terminated upon the completion of the De-SPAC Transaction in Hong Kong, (iii) the right to nominate senior management granted to the relevant Pre-Listing Investors which will survive the De-SPAC Transaction is subject to the approval of the Successor Board, and the Successor Board is not contractually obligated to approve the Pre-Listing Investors' nomination, the Sole Sponsor confirms that the investments by the Pre-Listing Investors are in compliance with the Guidance Letter HKEX-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and the Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

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7. Information about the Pre-Listing Investors

The background information of the Target Company’s Pre-Listing Investors is set out below.

Matrix Partners

Matrix Partners V

Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P. are exempted limited partnerships organized and existing under the laws of the Cayman Islands. The general partner of both Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P. is Matrix China Management V, L.P.. As of the Latest Practicable Date, Matrix Partners China V, L.P. has 52 limited partners and Matrix Partners China V-A, L.P. has 72 limited partners. The general partner of Matrix China Management V, L.P. is Matrix China V GP GP, Ltd. (“**Matrix Partners V**”). David Su, Ho Kee Harry Man and Xiaoning Liu are directors of Matrix China V GP GP, Ltd. and are deemed to have shared investment voting power over the shares held by Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P.. After due enquiry and to the best knowledge of the Successor Company Directors, each of David Su, Ho Kee Harry Man, Xiaoning Liu, the limited partners of Matrix Partners China V, L.P., Matrix Partners China V-A, L.P. and their ultimate beneficial owners are Independent Third Parties, and no one holds more than one third of the economic interest of Matrix Partners China V, L.P. or Matrix Partners China V-A, L.P..

Matrix Partners VI

Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P., are exempted limited partnerships organized and existing under the laws of the Cayman Islands. The general partner of both Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P. is Matrix China Management VI, L.P.. As of the Latest Practicable Date, Matrix Partners China VI, L.P. has 55 limited partners and Matrix Partners China VI-A, L.P. has 75 limited partners. The general partner of Matrix China Management VI, L.P. is Matrix China VI GP GP, Ltd. (“**Matrix Partners VI**”). David Su, Ho Kee Harry Man and Xiaoning Liu are directors of Matrix China VI GP GP, Ltd. and are deemed to have shared investment voting power over the shares held by Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P. After due enquiry and to the best knowledge of the Successor Company Directors, each of David Su, Ho Kee Harry Man, Xiaoning Liu, the limited partners of Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P. and their ultimate beneficial owners are Independent Third Parties, and no one holds more than one third of the economic interest of Matrix Partners China VI, L.P. or Matrix Partners China VI-A, L.P..

Matrix Partners V and Matrix Partners VI are venture capital funds with a primary purpose of making investments in the PRC, mainly focusing on companies in the advanced technology, mobile Internet, healthcare and consumer sectors, including Shoucheng Holdings Limited (HKEX: 697) and Genor Biopharma Holdings Limited (HKEX: 6998).

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Skycus China Fund, L.P.

Skycus China Fund, L.P. is a limited partnership established in the Cayman Islands. Skycus China Fund, L.P. is managed by its general partner, Parallel Universes Asset Management Limited, which is ultimately controlled by Eric Li. To the best knowledge of the Successor Company Directors, Skycus China Fund, L.P. has more than 20 limited partners, none of which holds more than one third of the interest in Skycus China Fund, L.P. Skycus China Fund, L.P. focuses on investment opportunities being created in emerging industries driven by innovations, and traditional industries being transformed and upgraded. Skycus China Fund, L.P. intends to primarily invest in strategic emerging industries (including telecommunication, media and technology, culture, sports and grand health industries) , covering growth-stage and mature-stage portfolios, and in leading enterprises with a vision to collectively lead or participate in depth in the integration and expansion of industry value chain. Skycus China Fund, L.P.’s investments in TMT industry include Waterdrop Inc. (NYSE: WDH), Dingdong (Cayman) Ltd (NYSE: DDL), etc.

Duckling Fund, L.P.

Duckling Fund, L.P., an exempted limited partnership registered under the laws of Cayman Islands, whose general partner is Grandiflora Hook GP Limited and ultimately controlled by Eric Li. To the best of the Successor Company Directors’ knowledge, the only limited partner of Duckling Fund, L.P. is Lionet Fund, L.P., which is a fund focusing on logistics, healthcare, telecommunication, media, technology and consumer industries investment. The general partner of Lionet Fund, L.P. is Grandiflora Hook GP Limited. Lionet Fund, L.P. has more than 15 limited partners, none of which holds more than one third of the interest in Lionet Fund, L.P.. Duckling Fund, L.P.’s investments in TMT industry include Kanzhun Ltd (Nasdaq: BZ; HKEX: 2076), Hangzhou SF Intra-city Industrial Co., Ltd. (HKEX: 9699), etc.

Vision Pro Capital Limited

Vision Pro Capital Limited is a limited liability company incorporated in the British Virgin Islands, which is ultimately controlled by an individual, an Independent Third Party. Vision Pro Capital Limited made investment in a number of companies engaging in new energy and internet sectors.

Wisdom Pro Capital Limited

Wisdom Pro Capital Limited is a limited liability company incorporated in the British Virgin Islands, which is ultimately controlled by an individual, an Independent Third Party. Wisdom Pro Capital Limited made investment in a number of companies engaging in technology, real estate, consumer goods and new energy sectors.

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Image Frame Investment (HK) Limited

Image Frame Investment (HK) Limited is a limited liability company incorporated in Hong Kong. Image Frame Investment (HK) Limited is ultimately controlled by Tencent Holdings Limited (“Tencent Holdings”), a company listed on the Main Board of the Stock Exchange (HKEX: 700). Tencent Holdings is one of the leading providers of Internet value-added services in China, including communications and social, games, digital content, advertising, fintech and business services.

3W Global Fund

3W Global Fund is a company limited by shares established in Cayman Islands and managed by 3W Fund Management Limited as its investment manager. 3W Fund Management Limited (“**3W Fund Management**”) is an investment management firm with expertise in equity investments. 3W Fund Management is licensed by the SFC to carry out type 9 (asset management) regulated activity and mainly manages assets for institutional investors. 3W Fund Management is ultimately owned by an individual who is an Independent Third Party. 3W Global Fund pursue to maximize absolute return and seek long-term capital growth primarily through fundamental investment principle with value approach. Its investments in TMT industry comprise of companies that are listed on the Stock Exchange, including Yidu Tech Inc. (HKEX: 2158) and Smoore International Holdings Ltd. (HKEX: 6969).

TARGET CAPITAL RESTRUCTURING

Prior to the completion of the De-SPAC Transaction, the Target Company will implement the Target Capital Restructuring:

- (i) the Target Company will allot and issue a number of fully paid Target Company Ordinary Shares and Target Company Preferred Shares at par value by way of capitalizing all or any part of any amount for the time being standing to the credit of the share premium account of the Target Company, on a pro rata basis to all Target Shareholders that registered on the register of members of the Target Company (the “**Capitalization Issue**”), such that immediately after the Capitalization Issue, the share capital of the Target Company (on an outstanding share basis) will consist of such number of Target Company Shares equal to the quotient obtained by the Target Merger Total Equity Value by HK\$10.00;
- (ii) the exercise price and number of underlying shares of outstanding options under the 2020 Global Employee Incentive Plan shall be adjusted pursuant to the terms and conditions of the 2020 Global Employee Incentive Plan in connection with the Capitalization Issue;
- (iii) the Target Company will implement a redesignation and reclassification of its share capital (the “**Share Reclassification**”), effective as of the Effective Time, such that all of the issued and unissued Preferred Shares be re-classified and re-designated as Ordinary Shares on a 1:1 basis; and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

- (iv) the Target Company Articles will be amended and restated and replaced in its entirety with the Successor Company Articles upon the Effective Time.

Upon 9:00 a.m. (Hong Kong time) on the Listing Date, each Target Company Preferred Share then issued and outstanding (including those allotted and issued per paragraph (i) above) will cease to exist and convert into a number of validly issued and fully paid Target Company Ordinary Shares pursuant to the Target Company Articles.

PUBLIC FLOAT

Upon completion of the De-SPAC Transaction (assuming the Presumptions), the Controlling Shareholders of the Successor Company will control approximately 43.62% of the total issued Successor Shares, and such Successor Company Shares will not be counted towards the public float. Save for the following persons:

- (i) the Controlling Shareholders of the Successor Company (namely Funplus, Vanker),
- (ii) Peerless Hero, Yun Qu, Fiery Dragon, pursuant to the Voting Proxy Agreements in which Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the Shares held by Peerless Hero, Yun Qu and Fiery Dragon, respectively,
- (iii) the substantial shareholders (namely Skycus China Fund, L.P., Duckling Fund, L.P.),
- (iv) Iridescent Rainbow Limited, the voting rights attached to its Shares, as nominated by Guangzhou Quwan are exercised by Sun Mingjun to the best of the Directors' knowledge, and
- (v) VKC Management, wholly owned by Mr. Wei Zhe, the non-executive Director of the Successor Company,

all other Pre-Listing Investors and the Successor Company Shareholders are not core connected persons of the Successor Company.

Accordingly, upon the completion of the De-SPAC Transaction (assuming the Presumptions), approximately 44.00% of the issued share capital of the Successor Company will count towards the public float. Hence, over 25% of the Successor Company Shares will be held by the public upon completion of the De-SPAC Transaction as required under Rule 8.08(1)(a) of the Listing Rules.

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CAPITALIZATION OF THE TARGET COMPANY

The below table summarizes the capitalization of the Target Company as of the date of this circular and the Successor Company immediately after the completion of the De-SPAC Transaction:

Shareholders ⁽²⁾	Immediately prior to the completion of the De-SPAC Transaction							Immediately upon completion of the the De-SPAC Transaction ⁽¹⁾		
	Target Company Ordinary Shares	Series Angel Preferred Shares	Series A Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series C Preferred Shares	Aggregate total number of Target Company Shares	Aggregate ownership and voting rights percentage (%)	Aggregate total number of Successor Company Shares	Aggregate ownership and voting rights percentage
Controlling Shareholders										
Funplus	35,219,799	-	-	-	-	-	35,219,799	24.23%	199,011,247	20.35%
Vanker	-	17,723,079	-	-	-	-	17,723,079	12.19%	100,145,150	10.24%
Sub-total	35,219,799	17,723,079	-	-	-	-	52,942,878	36.42%	299,156,397	30.59%
Fiery Dragon	4,990,370	-	-	-	-	-	4,990,370	3.43%	28,198,337	2.88%
Peerless Hero	10,006,722	-	-	-	-	-	10,006,722	6.88%	56,543,487	5.78%
Yun Qu	7,549,852	-	-	-	-	-	7,549,852	5.19%	42,660,819	4.36%
Galaxy Nebula Limited	4,971,252	-	-	-	-	-	4,971,252	3.42%	28,090,310	2.87%
Dream League Limited	-	10,440,854	-	-	-	-	10,440,854	7.18%	49,604,424	5.07%
Iridescent Rainbow Limited	752,860	-	-	-	-	-	752,860	0.52%	4,254,073	0.44%
Matrix Partners V										
Matrix Partners China V, L.P.	2,284,369	-	-	-	-	-	2,284,369	1.57%	11,901,664	1.22%
Matrix Partners China V-A, L.P.	237,566	-	-	-	-	-	237,566	0.16%	1,237,730	0.13%
Matrix Partners VI										
Matrix Partners China VI, L.P.	-	-	11,723,224	2,930,806	-	-	14,654,030	10.08%	76,348,128	7.81%
Matrix Partners China VI-A, L.P.	-	-	1,269,377	317,344	-	-	1,586,721	1.09%	8,266,885	0.85%
Skycus China Fund, L.P.	-	-	10,394,081	-	-	-	10,394,081	7.15%	50,467,184	5.16%
Duckling Fund, L.P.	-	-	-	9,744,451	-	-	9,744,451	6.70%	55,061,511	5.63%
Vision Pro Capital Limited	-	-	-	-	2,165,440	1,295,756	3,461,196	2.38%	19,557,662	2.00%
Wisdom Pro Capital Limited	-	-	-	-	3,031,601	971,806	4,003,407	2.75%	22,621,453	2.31%
Image Frame Investment (HK) Limited	-	-	-	-	-	5,095,898	5,095,898	3.51%	19,196,417	1.96%
3W Global Fund	-	-	-	-	-	2,267,562	2,267,562	1.56%	12,812,973	1.31%
The PIPE Investors	-	-	-	-	-	-	-	-	63,186,508	6.46%
Vision Deal Class A Shareholders	-	-	-	-	-	-	-	-	103,654,038	10.60%
The Promoters	-	-	-	-	-	-	-	-	25,025,000	2.56%
Total	66,012,790	28,163,933	23,386,682	12,992,601	5,197,041	9,631,022	145,384,069	100.00%	977,845,000	100.00%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

Notes:

- (1) This is calculated based on the number of Successor Company Shares upon completion of the De-SPAC Transaction, assuming the Presumptions.
- (2) For further details about the Target Company Shareholders, see “– Corporate Structure Immediately Prior to the completion of the De-SPAC Transaction” in this section.

2020 GLOBAL EMPLOYEE INCENTIVE PLAN

The Target Company adopted the 2020 Global Employee Incentive Plan on December 31, 2020. The purpose of the 2020 Global Employee Incentive Plan is to attract, motivate, retain and reward certain employees, directors, officers and certain other eligible persons of the Target Group. The principal terms of the 2020 Global Employee Incentive Plan are set out in the section headed “Appendix VII – Statutory and General Information – E. Employee Incentive Plans”.

POST-LISTING SHARE INCENTIVE PLAN

The Target Company adopted the Post-Listing Share Incentive Plan on [●]. The purpose of the Post-Listing Share Incentive Plan is to align the interests of eligible persons under the Post-Listing Share Incentive Plan with those of the Target Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons under the Post-Listing Share Incentive Plan to make contributions to the long-term growth and profits of the Target Group. The principal terms of the Post-Listing Share Incentive Plan are set out in the section headed “Appendix VII – Statutory and General Information – E. Employee Incentive Plan”. The Target Company will comply with Chapter 17 of the Listing Rules for the options or awards to be granted under the Post-Listing Share Incentive Plan after the completion of the De-SPAC Transaction.

EARN-OUT RIGHTS

Pursuant to the terms of Business Combination Agreement, the Target Company will grant earnout rights to the executive directors and senior management members of Target Company in the form of unlisted warrant at the subscription price of US\$0.0001 per unlisted warrant before the Listing, which will entitle Quwan EOR Limited as holder of the unlisted warrant to be allotted and issued up to 10% of the Successor Company Shares as at the date of Listing upon exercise of the warrant at the exercise price of US\$0.0001 per Successor Company Share when certain conditions connected with the adjusted net profit and the share price of the Successor Company after the Listing are satisfied. Quwan EOR Limited is a company held by a trust set up by Mr. Song, and the beneficial interest of the trust is held as to 50%, 20%, 15% and 15% by Mr. Song, Mr. Chen Guangyao, Mr. Lyu Shaoyu and Mr. Xie Rui, respectively. For details, please refer to “Letter from the Vision Deal Board”.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

PRC REGULATORY REQUIREMENTS

PRC Legal Advisor to the Target Company has confirmed that the share transfers, reorganizations and acquisitions of Xiamen Saimailei and Uki Group conducted in the PRC in respect of the PRC companies in the Target Group as described above have been properly and legally completed in accordance with the currently effective PRC laws and regulations in all material respects.

CSRC Filing

Pursuant to the Trial Measures released by the CSRC on February 17, 2023, the Target Company will be required to file with the CSRC in connection with this De-SPAC Transaction and Listing. For details, please refer to section headed “Regulations applicable to the Target Group’s Business and Operation”.

SAFE registration in the PRC

Pursuant to the Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment 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》) (“SAFE Circular 37”), promulgated by the SAFE and which became effective on July 14, 2014 and replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 75”), (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore assets or domestic enterprises’ equity interests in an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas 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 SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

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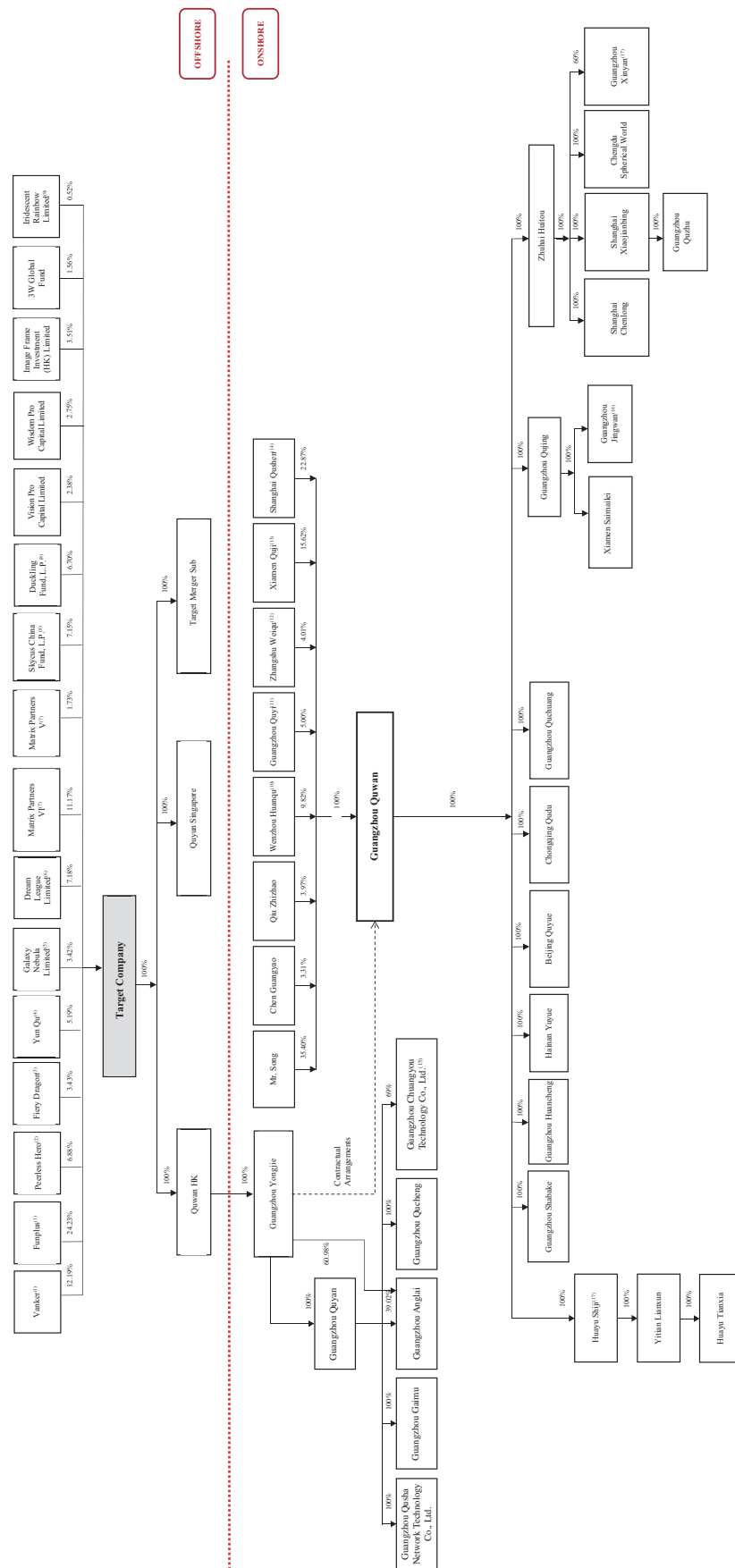
Pursuant to the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (“SAFE Circular 13”) promulgated by the SAFE and came into effect on June 1, 2015, the local banks would review and carry out foreign exchange registration under overseas direct investment directly, and SAFE and its local branches shall implement individual supervision over foreign exchange registration of overseas direct investment via the banks.

As advised by PRC Legal Advisor to the Target Company, Mr. Song, Mr. Chen Guangyao and Mr. Qiu Zhizhao, who are PRC residents and indirectly hold Shares in the Target Company, have all completed their respective initial foreign exchange registration under the SAFE Circular 37 on July 9, 2019.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE DE-SPAC TRANSACTION

The following chart sets forth the Target Group's simplified corporate and shareholding structure immediately prior to the completion of the De-SPAC Transaction.



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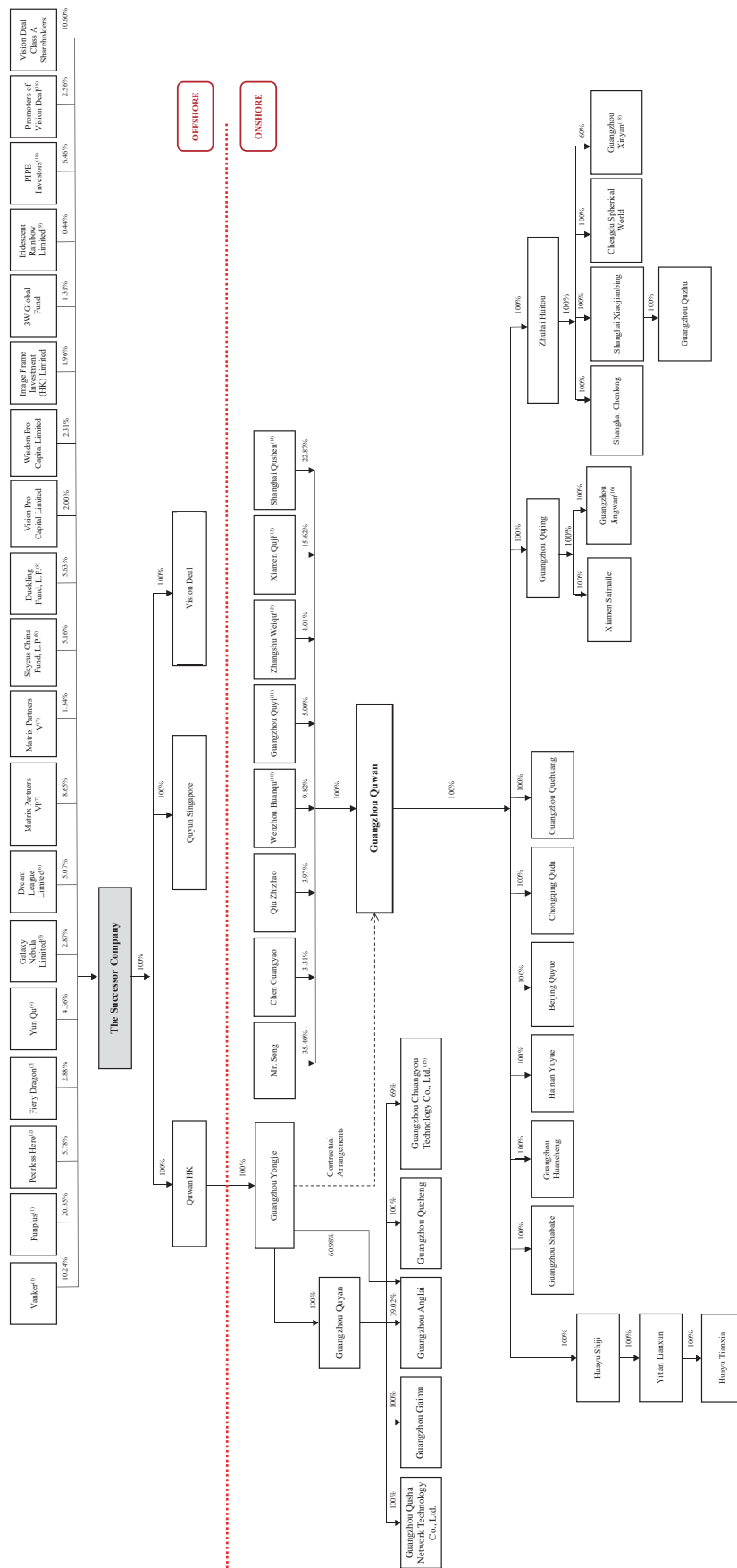
Notes:

- (1) Vanker and Funplus are wholly owned by Future Exploration, a limited liability company incorporated in the BVI on July 21, 2021 wholly owned by Cantrust (Far East) Limited. Cantrust (Far East) Limited is the trustee of SK Family Trust, a trust established by Mr. Song as the settlor, with Mr. Song and Exploring Time Limited (wholly owned by Mr. Song) being the beneficiaries.
- (2) Peerless Hero is wholly owned by Mr. Chen Guangyao, an executive Director of the Successor Company. On September 23, 2021, Mr. Song, Mr. Chen Guangyao and Peerless Hero entered into a voting proxy agreement, pursuant to which Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to all the Shares held by Peerless Hero. For details, please refer to section headed “Relationship with the Controlling Shareholders of the Successor Group”.
- (3) Fiery Dragon is wholly owned by Mr. Qiu Zhizhao. On September 23, 2021, Mr. Song, Mr. Qiu Zhizhao and Fiery Dragon entered into a voting proxy agreement, pursuant to which Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to all the Shares held by Fiery Dragon. For details, please refer to section headed “Relationship with the Controlling Shareholders of the Successor Group”.
- (4) Yun Qu is wholly owned by Mr. Du Guo, a former Director of the Target Company. On September 23, 2021, Mr. Song, Mr. Du Guo and Yun Qu entered into a voting proxy agreement, pursuant to which Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to all the Shares held by Yun Qu. For details, please refer to section headed “Relationship with the Controlling Shareholders of the Successor Group”.
- (5) Galaxy Nebula Limited, a company incorporated in the BVI, which is owned as to approximately 51.18% by Long Ling, approximately 48.62% by Kong Xiangyi and approximately 0.20% by Mr. Song. Each of Long Ling and Kong Xiangyi is an employee of the Target Group.
- (6) The equity interests of Dream League Limited were held as to 51.02% by Song Guowen, brother of Mr. Song, and 19.59% by Chen Fangping, 20.41% by Zhu Lin, and 8.98% by Zhang Dongmei, respectively. Zhang Dongmei is the spouse of Lyu Shaoyu, an executive Director and chief financial officer of the Successor Company. Each of Chen Fangping and Zhu Lin is an Independent Third Party.
- (7) Matrix Partners VI and Matrix Partners V are both ultimately controlled by David Su, Harry Ho Kee Man and Xiaoning Liu. For details, please refer to subsection headed “Pre-Listing Investments – 7. Information about the Pre-Listing Investors – Matrix Partners”.
- (8) Skycus China Fund, L.P. and Duckling Fund, L.P. are both ultimately controlled by Eric Li.
- (9) The shareholders of Iridescent Rainbow Limited are only entitled to the economic interests in the Shares held by Iridescent Rainbow Limited and as nominated by Guangzhou Quwan, the voting rights attached to such Shares are exercised by Sun Mingjun, who was the founder of certain companies in the Uki Group and joined the Target Group after the Acquisition of Uki Group as the business manager of the Uki Companies.
- (10) Mr. Song, is the general partner of Wenzhou Huanqu. The limited partnership interests in Wenzhou Huanqu are held as to 99% by Mr. Song and 1% by Lin Binbin, who is an Independent Third Party, respectively.
- (11) Song Guowen, Mr. Song’s brother, is the general partner of Guangzhou Quyi. The limited partnership interests in Guangzhou Quyi are held as to 4% by Song Guowen, 17.6% by Zhang Dongmei, 38.4% by Chen Fangping, and 40% by Zhu Lin, respectively. Zhang Dongmei is the spouse of Lyu Shaoyu, an executive Director and chief financial officer of the Successor Company. Each of Chen Fangping and Zhu Lin is an Independent Third Party.
- (12) Mr. Song, is the general partner of Zhangshu Weiqu. The limited partnership interests in Zhangshu Weiqu are held as to 99% by Mr. Song and 1% by Chen Shaoyue, Mr. Song’s wife, respectively.
- (13) Mr. Song, is the general partner of Xiamen Quji. The limited partnership interests in Xiamen Quji are held as to 67.52% by Mr. Song, 8.47% by Mr. Qiu Zhizhao, 7.06% by Mr. Chen Guangyao, and 16.95% by Wenzhou Huanqu, respectively.
- (14) Mr. Song, is the general partner of Shanghai Qushen. The limited partnership interests in Shanghai Qushen are held as to 16.18% by Mr. Song, 24.44% by Mr. Chen Guangyao, 34.98% by Mr. Du Guo, 13.12% by Ms. Long Ling, and 11.28% by Mr. Kong Xiangyi, respectively. Each of Long Ling and Kong Xiangyi is an employee of the Target Group.
- (15) Guangzhou Chuangyou Technology Co., Ltd., a company incorporated in the PRC, were held as to 69% by Guangzhou Quyan, 10% by Xiong Hui, 10% by Wang Lin, 10% by Chen Yingcong and 1% by Zeng Zhiying, respectively. Each of Xiong Hui, Wang Lin, Chen Yingcong and Zeng Zhiying is an Independent Third Party.
- (16) As of the Latest Practicable Date, Guangzhou Jingwan is in the process of deregistration as it is not engaged in or does not plan to engage in any business operation.
- (17) Guangzhou Xinyan is held as to 60% by Zhuhai Huitou, 26.20% by Han Rubing and 13.80% by Lin Yongsong, respectively. Each of Han Rubing and Lin Yongsong is an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE DE-SPAC TRANSACTION

The following chart sets forth the simplified corporate and shareholding structure immediately following completion of the De-SPAC Transaction, assuming the Presumptions⁽¹⁸⁾.



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE OF THE TARGET GROUP

Notes:

- (1) to (17) Please refer to notes (1) to (17) in the section headed “Corporate Structure Immediately Prior to the Completion of the De-SPAC Transaction”.
- (18) For details, see “Letter from the Vision Deal Board” in this circular.

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

OVERVIEW

Foreign investment activities in the PRC are mainly governed by the Provisions for Guiding the Foreign Investment Direction (《指導外商投資方向規定》), the Industry Guidelines on Encouraged Foreign Investment (2022) (《鼓勵外商投資產業目錄(2022年版)》) and the Special Administrative Measures (Negative List) for the Access of Foreign Investments (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), pursuant to which the industries listed therein are divided into four categories in terms of foreign investment, namely, “encouraged”, “permitted”, “restricted” and “prohibited”. Under such regulations, foreign investors are prohibited from holding equity interests in an entity conducting internet culture activities (except for music) and internet audio-visual program services, and are, subject to China’s WTO commitments, restricted to hold equity interest in an entity conducting value-added telecommunication services (except for e-commerce, domestic multiparty communication, storage-and-forward and call center services). A summary of our business that is subject to the foreign investment prohibition and restriction (the “**Relevant Business**”) in accordance with the Negative List is set out below:

Categories

Our Business

Prohibited

Internet culture activities

The Target Group is or intend to be engaged in the provision of online audio content, online music and entertainment and online performance, which falls within the scope of internet cultural activities, and hold the ICB License. According to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in internet culture activities (except for music). As of the Latest Practicable Date, each of Guangzhou Quwan, Guangzhou Shabake, Guangzhou Huancheng, Hainan Yuyue, Guangzhou Quchuang, Guangzhou Qujing, Shanghai Chenlong, Shanghai Xiaojianbing, Chengdu Spherical World, Guangzhou Quzhu, Guangzhou Xinyan, Chongqing Qudu and Huayu Tianxia holds an ICB License.

Prohibited

Internet audio-visual program services

The Target Group is or intend to be engaged in the provision of online audio-visual programs, which falls within the scope of internet audio-visual program services, and holds the AVSP License or are applying for the Audio-visual Registration. According to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in internet audio-visual program services. As of the Latest Practicable Date, Huayu Tianxia holds an AVSP License and Guangzhou Quwan is applying for an Audio-visual Registration.

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

Categories

Our Business

Restricted

Value-added telecommunication services

The Target Group is or intend to be engaged in the provision of online information services, which falls within the scope of value-added telecommunication services, and hold or intend to apply for the ICP License. According to the Negative List, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunication services (except for electronic commerce, domestic multi-party communication, store and-forward and call center). As of the Latest Practicable Date, each of Guangzhou Quwan, Guangzhou Shabake, Guangzhou Huancheng, Hainan Yuyue, Beijing Quyue, Shanghai Chenlong, Xiamen Saimailei, Shanghai Xiaojianbing, Chengdu Spherical World, Chongqing Qudu, Huayu Tianxia and Guangzhou Quchuang holds an ICP License. Guangzhou Xinyan is applying for an ICP License.

The following table sets out the ICB Licenses, ICP Licenses and AVSP License held by relevant Consolidated Affiliated Entities of the Target Company as of the Latest Practicable Date.

No.	Entity Holding the License/Permit ⁽²⁾	License/Permit	Expiration Date
1	Guangzhou Quwan ⁽¹⁾	ICB License	July 30, 2024
		ICP License	February 23, 2026
2	Guangzhou Shabake ⁽¹⁾	ICB License	February 1, 2025
		ICP License	April 13, 2026
3	Hainan Yuyue ⁽¹⁾	ICB License	August 16, 2024
		ICP License	April 18, 2028
4	Guangzhou Huancheng ⁽¹⁾	ICB License	June 22, 2026
		ICP License	March 23, 2026
5	Beijing Quyue ⁽³⁾	ICP License	February 3, 2026
6	Guangzhou Qujing ⁽³⁾	ICB License	November 8, 2026
7	Shanghai Chenlong ⁽¹⁾	ICB License	April 13, 2026
		ICP License	June 15, 2025
8	Shanghai Xiaojianbing ⁽¹⁾	ICB License	September 26, 2026
		ICP License	November 9, 2025
9	Chengdu Spherical World ⁽¹⁾	ICB License	December 15, 2025
		ICP License	December 2, 2024
10	Guangzhou Xinyan	ICB License	April 1, 2025
11	Xiamen Saimailei ⁽³⁾	ICP License	October 18, 2026
12	Guangzhou Quchuang ⁽¹⁾	ICB License	March 26, 2026
		ICP License	June 2, 2028
13	Guangzhou Quzhu ⁽³⁾	ICB License	March 26, 2026
14	Chongqing Qudu ⁽¹⁾	ICB License	March 19, 2026
		ICP License	October 31, 2027
15	Huayu Tianxia	ICB License	July 20, 2025
		ICP License	June 8, 2027
		AVSP License	March 15, 2025

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

Note:

- (1) Given that the business of the Consolidated Affiliated Entity involves audio streaming, online music, karaoke and other entertainment business and online social networking business, as advised by the PRC Legal Advisor to the Target Company, the entity is required to hold both ICP and ICB licenses for compliance with the applicable PRC laws and regulations.
- (2) As of the Latest Practicable Date, Guangzhou Jingwan is in the process of deregistration as it is not engaged in any business operation.
- (3) Each of Guangzhou Qujing, Xiamen Saimailei, Guangzhou Quzhu and Beijing Qu Yue holds ICB License or ICP License while they do not have substantive business operation.

The Target Company has conducted consultations with officers of (i) Industry Development Office, Bureau of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳產業發展處), (ii) Administrative Approval Office, Bureau of Tourism and Culture, Radio and Television and Sports of Hainan Province (海南省旅遊和文化廣電體育廳行政審批辦公室), (iii) Administrative Approval Office, Beijing Municipal Bureau of Culture and Tourism (北京市文化和旅遊局行政審批處), (iv) Market Management Office, Shanghai Municipal Bureau of Culture and Tourism (上海市文化和旅遊局市場管理處), (v) Market Management Office, Sichuan Province Bureau of Culture and Tourism (四川省文化和旅遊廳市場管理處) and (vi) Market Management Office, Chongqing Culture and Tourism Development Commission (重慶市文化和旅遊發展委員會市場管理處), who have provided confirmation that (i) they are the competent government authorities regulating internet culture activities and matters in connection with the ICB license; and (ii) foreign investors are not allowed to invest in the enterprise hold the ICB License via equity interest ownership in practice.

The Target Company has conducted a consultation with the MIIT, who has provided confirmation that (i) MIIT is the competent government authority regulating the value-added telecommunication industry; (ii) foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting the business of internet information services (except for electronic commerce, domestic multi-party communication, store-and-forward and call center), and the foreign investors needs to demonstrate that its business nature is consistent with the scope of ICP License in addition to the percentage of equity interest ownership requirement for application of ICP License; and (iii) whether a foreign-invested enterprise can obtain an ICP License requires discretion and judgment on a case-by-case basis in practice, there could be impediment for foreign investors to invest in the internet information service enterprises mainly engage in audio streaming and online social networking business through equity interest ownership and there is no precedent for foreign investors to invest in such enterprises to obtain an ICP License through equity interest ownership at present.

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

In order to comply with the PRC laws and regulations and maintain effective control over the Relevant Business, on November 3, 2020, the Target Company’s wholly owned subsidiary, Guangzhou Yongjie entered into various agreements (later amended and restated on October 11, 2021) that constituted the Contractual Arrangements with Guangzhou Quwan, the Registered Shareholders of Guangzhou Quwan and the general partners of the Partnership Shareholders (as defined below), pursuant to which Guangzhou Yongjie acquired effective control over the finance and operations of the Consolidated Affiliated Entities and is entitled to all the economic benefits derived from their operations. In light of the foregoing reasons. The Target Company believes that the Contractual Arrangements are narrowly tailored as they are used to enable the Target Group to conduct businesses in a field that is subject to foreign investment prohibitions in the PRC.

The Directors of the Target Company believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Guangzhou Yongjie, Guangzhou Quwan, and the Registered Shareholders of Guangzhou Quwan; (ii) by entering into the Exclusive Technical Service Agreement (as defined below) with Guangzhou Yongjie, the Consolidated Affiliated Entities will enjoy better economic and technical support from the Target Group, as well as a better market reputation after the De-SPAC Transaction; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The Successor Company will unwind and terminate the Contractual Arrangements wholly or partially once the Relevant Business are no longer prohibited or restricted from foreign investment. The Successor Company will directly hold the maximum percentage of ownership interests permissible under the relevant PRC laws and regulations if such businesses are allowed to be conducted by foreign investment entities under the relevant PRC laws and regulations.

Other Consolidated Entities

Zhuhai Huitou does not hold specific foreign restricted/prohibited license and it has not yet commenced substantive business operations. It holds the equity interest in Shanghai Chenlong, Shanghai Xiaojianbing, Chengdu Spherical World, and Guangzhou Quzhu which hold ICB and/or ICP Licenses, and did not generate any revenue during the Track Record Period.

It is intended that Zhuhai Huitou will remain under the Contractual Arrangements upon the completion of the De-SPAC Transaction for the following reasons: (i) as it is not expected to commence any substantive business operations by the time of the completion of the De-SPAC Transaction, the Target Company is of the view that the Contractual Arrangements are narrowly tailored; and (ii) as the principal business of the Target Group is subject to foreign investment restriction/prohibition, it is anticipated that Zhuhai Huitou will most likely engage in restricted/prohibited if it were to commence business operation in future. Therefore, it is more cost effective to keep such entity under the Contractual Arrangements. If the Target Company were to transfer such entity out of the Contractual Arrangements before the

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

completion of the De-SPAC Transaction, the Target Company will incur additional restructuring costs which is not in the best interest of the Target Company or its shareholders. The Successor Company will undertake to procure such entity not to conduct any businesses that are not subject to foreign investment restrictions or prohibitions, and to the extent that any of these entities does, the Successor Company will transfer such entity outside of the Contractual Arrangements prior to engaging in any unrestricted businesses.

Based on the above and considering that Zhuhai Huitou did not generate revenues during the Track Record Period, the Target Company controls Zhuhai Huitou through the Contractual Arrangements.

Minority Investments held by Guangzhou Quwan, Zhuhai Huitou and Guangzhou Qujing

In the ordinary course of business, the Target Company makes minority investments in a number of companies (the “**Relevant Entities**” and each a “**Relevant Entity**”) through Guangzhou Quwan, Zhuhai Huitou and Guangzhou Qujing. These investments generally operate businesses related to the Target Company’s business and provide products, services and/or resources that the Target Company believes are synergistic with it. All the Relevant Entities made through Guangzhou Quwan, Zhuhai Huitou and Guangzhou Qujing are passive, non-controlling interests that are each classified as an investment in an associate and are neither consolidated in the financial statements the Target Group nor form part of the Consolidated Affiliated Entities or subsidiaries. None of the investments are material to the Target Group. By way of illustration, for the latest financial year ended December 31, 2022, none of the assets or revenue contribution of any Relevant Entities individually exceeded 0.7% of the total assets and revenue of the Target Group. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the assets, revenue or profit contribution of all Relevant Entities in aggregate did not exceed 1.68% of the total assets, revenue or profit of the Target Group.

The Target Company is unable to transfer its interests in the Relevant Entities held through Guangzhou Quwan, Zhuhai Huitou and Guangzhou Qujing to another entity without the consents from other shareholders of the Relevant Entities. Pursuant to the Company Law of the PRC (《中華人民共和國公司法》), any shareholder proposes transferring its equity interests in the Relevant Entities to any entity other than the existing shareholders, such proposal shall be subject to the consent of a majority of the other shareholders. Furthermore, given that Guangzhou Quwan, Zhuhai Huitou and Guangzhou Qujing are merely minority shareholders of the Relevant Entities, the influence that they could exert on the Relevant Entities or on lobbying and obtaining the consent and approvals of other shareholders for implementing the transfer of their investment interests to another entity outside the Contractual Arrangements is limited. The Target Group has engaged in preliminary communication with the other shareholders of each of the Relevant Entities in respect of its proposal to transfer such investment interests held by Guangzhou Quwan, Zhuhai Huitou and Guangzhou Qujing to a

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

wholly foreign owned enterprise controlled by the Target Group, i.e. Guangzhou Yongjie. However, as of the Latest Practicable Date, such requests had been rejected or not been provided by the relevant parties. Such communication process and its results were out of the Target Company’s control.

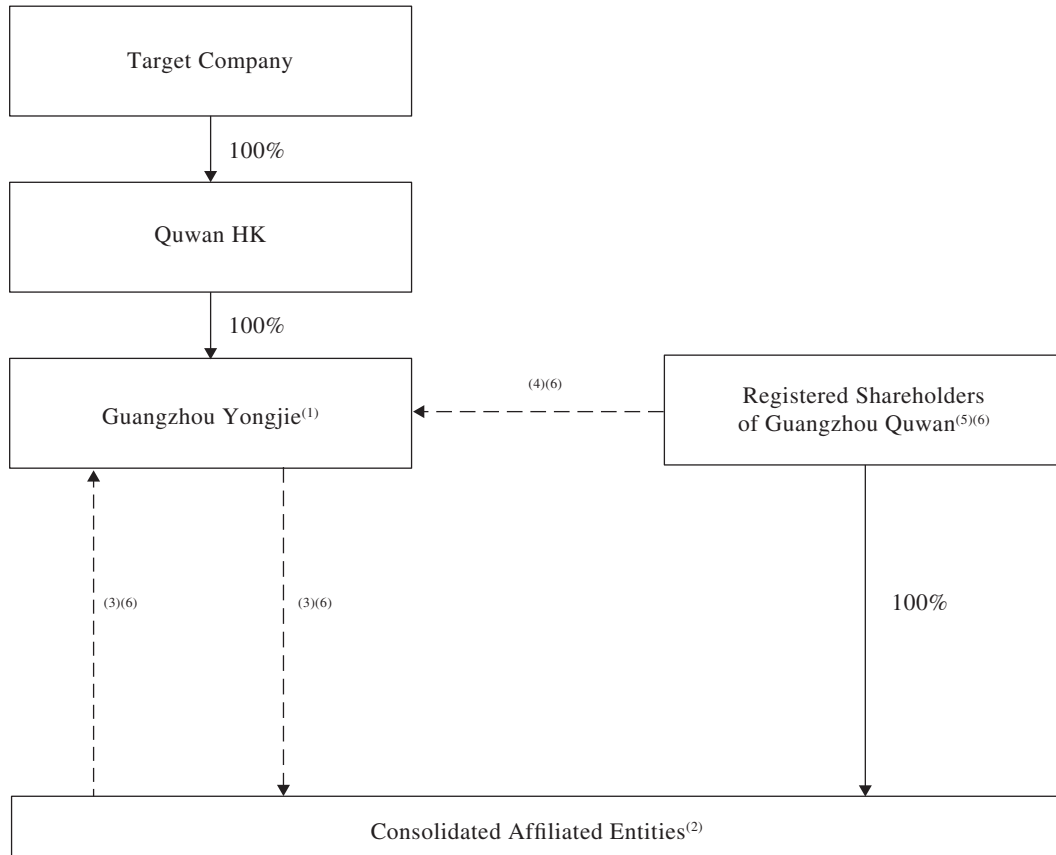
In addition, some Relevant Entities are engaging or planning to engage in businesses which are subject to foreign investment restriction/prohibition under the Negative List. Such Relevant Entities are therefore holding, applying for or planning to apply for licenses or permits for such restricted/prohibited businesses. The transfer of the Target Company’s interest in these Relevant Entities held through Guanzhou Quwan or Zhuhai Huitou or Guangzhou Qujing to Guangzhou Yongjie would either impair the validity of the relevant licenses or permits for the restricted/prohibited businesses obtained by such Relevant Entities or frustrate their plan to obtain such licenses or permits, because Guangzhou Yongjie will be deemed as a foreign investors under the applicable PRC laws and regulations.

Given the immateriality of the Relevant Entities and the fact that the Target Group does not consolidate or control them and are unable to transfer the Target Company’s interests in the Relevant Entities to another entity outside the Contractual Arrangements, the Target Company’s Directors consider that the Contractual Arrangements are narrowly tailored. To the extent that the Successor Company acquires control over any Relevant Entity in the future, and depending on the future nature of the business conducted by the Relevant Entity, the Successor Company will consider restructuring the ownership of the Relevant Entity to a direct or indirect subsidiary of the Successor Company if legally permissible under the PRC Laws.

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the Target Group stipulated under the Contractual Arrangements after completion of the Reorganization:



“_____” Denotes legal and beneficial ownership in the equity interest

“-----” Denotes the Contractual Arrangements

Notes:

- (1) As of the Latest Practicable Date, Guangzhou Yongjie is wholly owned by Quwan HK, which is in turn wholly owned by the Target Company.
- (2) As of the Latest Practicable Date, the Consolidated Affiliated Entities include Guangzhou Quwan and its subsidiaries, Guangzhou Shabake, Guangzhou Huancheng, Hainan Yuyue, Beijing Quyue, Chongqing Qudu, Guangzhou Quchuang, Guangzhou Qujing, Xiamen Saimailei, Guangzhou Jingwan, Zhuhai Huitou, Shanghai Xiaojianbing, Shanghai Chenlong, Chengdu Spherical World, Guangzhou Quzhu, Guangzhou Xinyan, Huayu Shiji, Yitian Lianxun and Huayu Tianxia. As of the Latest Practicable Date, Guangzhou Jingwan is in the process of deregistration as it is not engaged in any business operation.

For further details of the subsidiaries of Guangzhou Quwan, see the section headed “History, Reorganization and Corporate Structure of the Target Group”.

- (i) Guangzhou Shabake, Guangzhou Huancheng, Hainan Yuyue, Beijing Quyue, Chongqing Qudu, Guangzhou Quchuang, Guangzhou Qujing, and Zhuhai Huitou and Huayu Shiji are directly wholly owned by Guangzhou Quwan.

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- (ii) Shanghai Xiaojianbing, Shanghai Chenlong and Chengdu Spherical World are wholly owned by Zhuhai Huitou; Guangzhou Xinyan is held as to 60% by Zhuhai Huitou; Guangzhou Quzhu is wholly owned by Shanghai Xiaojianbing.
 - (iii) Xiamen Saimalei and Guangzhou Jingwan are wholly owned by Guangzhou Qujing.
 - (iv) Yitian Lianxun is wholly owned by Huayu Shiji and Huayu Tianxia is wholly owned by Yitian Lianxun.
- (3) Guangzhou Yongjie provides consultancy, technology and other services in exchange for service fees from Guangzhou Quwan. See “Contractual Arrangements of the Target Group – Exclusive Technical Service Agreement”.

The Registered Shareholders of Guangzhou Quwan and the general partners of the Partnership Shareholders executed the Exclusive Call Option Agreement (as defined below) in favor of Guangzhou Yongjie for the acquisition of 100% equity interests and/or assets in Guangzhou Quwan. See “Contractual Arrangements of the Target Group – Exclusive Call Option Agreement”.

- (4) The Registered Shareholders of Guangzhou Quwan pledged all of their respective equity interests in Guangzhou Quwan to Guangzhou Yongjie as security for their respective performance and the performance of Guangzhou Quwan under the Exclusive Technical Service Agreement (as defined below), the Exclusive Call Option Agreement (as defined below), the Equity Pledge Agreements (as defined below) and the Shareholder Voting Rights Proxy Agreement (as defined below), as applicable. See “Contractual Arrangements of the Target Group – Equity Pledge Agreements”.

The Registered Shareholders of Guangzhou Quwan executed the Powers of Attorney in favor of Guangzhou Yongjie in respect of their respective rights as shareholders of Guangzhou Quwan.

- (5) Guangzhou Quwan is in turn owned by the Registered Shareholders of Guangzhou Quwan, namely as to: (i) 35.40% by Mr. Song, the founder, chairman of the board of directors and Chief Executive Officer of the Target Company; (ii) 22.87% by Shanghai Qushen, a limited partnership organized in the PRC and an affiliate of Galaxy Nebula Limited, which is a holder of the Target Company Ordinary Shares, and the general partner of which is Mr. Song; (iii) 15.62% by Xiamen Quji, a limited partnership organized in the PRC, the general partner of which is Mr. Song; (iv) 9.82% by Wenzhou Huanqu, a limited partnership organized in the PRC majority owned by Mr. Song, the general partner of which is Mr. Song; (v) 5.00% by Guangzhou Quyi, a limited partnership organized in the PRC and an affiliate of Dream League Limited, which is a holder of the Series Angel Preferred Shares, and the general partner of which is Mr. Song Guowen, who is the brother of Mr. Song; (vi) 4.01% by Zhangshu Weiqu, a limited partnership organized in the PRC majority owned by Mr. Song and in which he is the general partner; (vii) 3.97% by Mr. Qiu Zhizhao; and (viii) 3.31% by Mr. Chen Guangyao, an executive Director of the Target Company (The limited partnership registered shareholders as referred in aforementioned items (ii) to (vi), collectively as “**Partnership Shareholders**”).
- (6) According to the Partnership Law of the PRC (《中華人民共和國合夥企業法》), in accordance with the partnership agreement or upon the decision of all the partners, one or more partners may be entrusted to represent the partnership externally and act on behalf of the partnership while all other partners no longer act on behalf of the partnership.

Pursuant to each partnership agreements of the Partnership Shareholders, upon the decision of all partners, the general partner (Mr. Song Ke or Mr. Song Guowen, as the case may be) of each Partnership Shareholders is entrusted to act on behalf of the Partnership Shareholders. Under the Exclusive Call Option Agreement, Equity Pledge Agreements and Shareholder Voting Rights Proxy Agreement, the general partner of each Partnership Shareholders, on behalf of the Partnership Shareholders and himself, (i) agreed to the arrangements thereunder; (ii) confirmed that the arrangement thereunder shall be legally binding on the Partnership Shareholders; (iii) agreed to procure the Partnership Shareholders to comply with the terms thereof; (iv) agreed that the decision-making arrangement in connection with the disposal of the Partnership Shareholders’ interests in Guangzhou Quwan shall be in accordance with the terms thereof.

Based on the above, the Target Company’s PRC Legal Advisor is of the view that save as disclosed in the subsection headed “Contractual Arrangements of the Target Group – Legality of the Contractual Arrangements”, except the dispute resolution clauses, (i) the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on all parties thereto (whether they are individuals, companies or limited partnerships) (ii) the Partnership Shareholders as registered shareholders are bound by the Contractual Arrangements to the same extent as that applicable to registered shareholders who are individuals, and (iii) the Contractual Arrangements of the Target Company have the same binding effect as compared to other cases where the equity interests of the operating companies are directly held by individual shareholders.

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

Exclusive Technical Service Agreement

Guangzhou Yongjie and Guangzhou Quwan entered into the exclusive technical service agreement on November 3, 2020 and an amended and restated exclusive technical service agreement on October 11, 2021 (the “**Exclusive Technical Service Agreement**”), pursuant to which Guangzhou Quwan agreed to engage Guangzhou Yongjie as its exclusive provider of consulting, technical support and other related services including but not limited to (i) assisting Guangzhou Quwan to devise the management and operation plan, (ii) providing assistance to Guangzhou Quwan in department settings and business segmentation, (iii) assisting Guangzhou Quwan to build up the flow of business management, (iv) providing management and consultation in relation to daily operation, finance, investment, asset, indebtedness, human resources, and internal information exchange, (v) consultation and recommendation in relation to the assets and business operation of Guangzhou Quwan, (vi) consultation and recommendation in relation to merger, acquisition and other expansion plan of Guangzhou Quwan, (vii) assisting Guangzhou Quwan to devise the market development plan, (viii) conducting specific industry and market research in relation to Guangzhou Quwan, (ix) licensing Guangzhou Quwan to use the relevant software necessary to conduct its business, (x) offering Guangzhou Quwan the right to use the computer and internet hardware necessary to conduct its business, (xi) providing Guangzhou Quwan comprehensive solution in relation to information technology, (xii) daily management, maintenance and updating of hardware and database and relevant application software, (xiii) providing training to personnel who is involved in development and operating the mobile application, (xiv) assisting Guangzhou Quwan in technology information collection and market studies, and (xv) providing technical and consultation services as requested by Guangzhou Quwan and agreed by Guangzhou Yongjie from time to time.

Pursuant to the Exclusive Technical Service Agreement, Guangzhou Quwan shall pay Guangzhou Yongjie at Guangzhou Yongjie’s discretion an annual service fee which shall be in the amount equivalent to the audited profit before tax of Guangzhou Quwan (net of costs and expenses) in accordance with the Chinese Accounting Standards.

In addition, pursuant to the Exclusive Technical Service Agreement, without the prior consent written of Guangzhou Yongjie, during the term of the Exclusive Technical Service Agreement, Guangzhou Quwan shall not enter into any agreement to accept any same or similar service provided by any third party.

The Exclusive Technical Service Agreement also provides that Guangzhou Yongjie has the exclusive proprietary rights and interests in any and all intellectual property rights created or developed by the Consolidated Affiliated Entities during the performance of the Exclusive Technical Service Agreement.

CONTRACTUAL ARRANGEMENTS OF THE TARGET GROUP

Under the Exclusive Technical Services Agreement, Guangzhou Quwan shall, among others, (i) subject to the relevant PRC laws and regulations, appoint the person recommended by Guangzhou Yongjie as directors, supervisors and senior management members of Guangzhou Quwan, and shall not remove such directors, supervisors and senior management members recommended by Guangzhou Yongjie without the prior written consent of Guangzhou Yongjie or unless statutorily required; (ii) allow Guangzhou Yongjie to inspect their accounts, and provide other information relating to their operation, customers, financial information and employees; and (iii) take reasonable action during the term of the Exclusive Technical Services Agreement to ensure the validity and effectiveness of the relevant licenses and qualification necessary to conduct its business and accept reasonable advice and recommendation from Guangzhou Quwan.

Unless otherwise agreed pursuant to the agreement, the Exclusive Technical Services Agreement will remain effective until (i) both Guangzhou Quwan and Zhuhai Huanquhai agree to terminate the agreement in writing, or (ii) all equity interests in Guangzhou Yongjie held by the Registered Shareholders of Guangzhou Quwan or assets of Guangzhou Quwan are transferred or assigned to Guangzhou Yongjie or its designated person (including but not limited to Guangzhou Yongjie and/or its directors, successors or liquidators).

Shareholder Voting Rights Proxy Agreement and Powers of Attorney

On November 3, 2020, Guangzhou Yongjie entered into the shareholder voting rights proxy agreement with the Registered Shareholders of Guangzhou Quwan and Guangzhou Quwan, and the powers of attorney were executed by each of the Registered Shareholders of Guangzhou Quwan in favor of Guangzhou Yongjie. On October 11, 2021, Guangzhou Yongjie entered into an amended and restated shareholder voting rights proxy agreement (the “**Shareholder Voting Rights Proxy Agreement**”) with Guangzhou Quwan, the Registered Shareholders of Guangzhou Quwan and the general partners of the Partnership Shareholders, and each of the Registered Shareholders of Guangzhou Quwan executed an amended and restated power of attorney (the “**Powers of Attorney**”), pursuant to which the Registered Shareholders of Guangzhou Quwan irrevocably entrust Guangzhou Yongjie or its designated person (including but not limited to the directors of Guangzhou Yongjie and/or its the offshore parent company of Guangzhou Yongjie and liquidators and other successors replacing such directors) to exercise all rights of the holders of equity interest of Guangzhou Quwan according to the then valid articles of association of Guangzhou Quwan, including but not limited to the rights:

- (i) to attend shareholders’ meeting;
- (ii) to exercise voting rights on any matters requiring discussion and decision of shareholders, sign any resolutions or minutes and file documents with the relevant company registry;
- (iii) to convene extraordinary general meeting;

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- (iv) to exercise all shareholders' voting rights pursuant to the relevant PRC laws and regulations; and
- (v) any other shareholders' rights under the articles of association of Guangzhou Quwan (including any other shareholders' voting rights as set out in the articles amended from time to time).

The Shareholder Voting Rights Proxy Agreement shall remain effective from the date of signing until being terminated by Guangzhou Yongjie with written notice or terminated unilaterally by Guangzhou Yongjie in the event that the Registered Shareholders of Guangzhou Quwan or Guangzhou Quwan is in default and such default is not rectified within 10 days after notice of non-defaulting party for rectification. In the event that any of the Registered Shareholders of Guangzhou Quwan transfers all of his/her/its equity interests in Guangzhou Quwan with prior consent of Guangzhou Yongjie, such Registered Shareholders of Guangzhou Quwan shall cease to be party to the Shareholder Voting Rights Proxy Agreement but the obligations of the other parties to the Shareholder Voting Rights Proxy Agreement shall not be affected.

The Registered Shareholders of Guangzhou Quwan undertake that the authorization and entrustment under the Shareholder Voting Rights Proxy Agreement will not cause any actual or potential conflict of interest with Guangzhou Yongjie and/or its trustees. If there is any conflict of interest between (i) the Registered Shareholders of Guangzhou Quwan and Guangzhou Quwan and (ii) Guangzhou Yongjie, the direct or indirect offshore parent company of Guangzhou Yongjie and the entity controlled by the direct or indirect offshore parent company of Guangzhou Yongjie, the Registered Shareholders of Guangzhou Quwan shall prioritize to protect and hold harmless of the interests of Guangzhou Yongjie, the direct or indirect offshore parent company of Guangzhou Yongjie and the entity controlled by the direct or indirect offshore parent company of Guangzhou Yongjie. The Registered Shareholders of Guangzhou Quwan shall not take or omit to take any actions which may cause a conflict of interest with Guangzhou Yongjie or its shareholders, nor shall him, her or it execute any agreement or make any relevant commitments which will create conflict of interest with any agreement signed or being performed by Guangzhou Quwan, Guangzhou Yongjie or its designated person(s).

The general partners of Partnership Shareholders (i) acknowledged that the arrangement contemplated under the Shareholder Voting Rights Proxy Agreement shall be legally binding on the Partnership Shareholders; (ii) agreed to procure the Partnership Shareholders to comply with the terms of the Shareholder Voting Rights Proxy Agreement; and (iii) agreed that their decision-making in connection with the disposal of the Partnership Shareholders' interests in Guangzhou Quwan and shall be in accordance with the terms of the Shareholder Voting Rights Proxy Agreement.

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Exclusive Call Option Agreement

Guangzhou Yongjie, Guangzhou Quwan and the Registered Shareholders of Guangzhou Quwan entered into an exclusive call option agreement on November 3, 2020. On October 11, 2021, Guangzhou Yongjie entered into an amended and restated exclusive call option agreement (the “**Exclusive Call Option Agreement**”) with Guangzhou Quwan, Registered Shareholders of Guangzhou Quwan and the general partners of the Partnership Shareholders, pursuant to which subject to the extent permitted under PRC laws, (i) each of the Registered Shareholders of Guangzhou Quwan irrevocably grants an exclusive option to Guangzhou Yongjie which entitles Guangzhou Yongjie to request all or any of the Registered Shareholders of Guangzhou Quwan to transfer their equity interests in Guangzhou Quwan to Guangzhou Yongjie or its designated person under Guangzhou Yongjie’s instruction and (ii) Guangzhou Quwan irrevocably grants an exclusive option to Guangzhou Yongjie which entitles Guangzhou Yongjie to elect to purchase from Guangzhou Quwan all or part of the assets of Guangzhou Quwan itself or through its designated person(s).

The general partners of Partnership Shareholders (i) acknowledged that the arrangement contemplated under the Exclusive Call Option Agreement shall be legally binding on the Partnership Shareholders; (ii) agreed to procure the Partnership Shareholders to comply with the terms of the Exclusive Call Option Agreement; and (iii) agreed that their decision-making in connection with the disposal of the Partnership Shareholders’ interests in Guangzhou Quwan shall be in accordance with the terms of the Exclusive Call Option Agreement and the Equity Pledge Agreements (as defined below).

The purchase price payable by Guangzhou Yongjie or its designated person(s) in respect of the transfer equity interest or assets shall be at nominal consideration or the lowest price permitted by applicable PRC laws and regulations. Guangzhou Quwan and the Registered Shareholders of Guangzhou Quwan shall, subject to the relevant PRC laws and regulations, return to Guangzhou Yongjie or its designated person(s) the purchase price in full in the event that Guangzhou Yongjie exercises the exclusive options to acquire the equity interest and/or assets of Guangzhou Quwan.

Pursuant to the Exclusive Call Option Agreement, the Registered Shareholders of Guangzhou Quwan covenant, among other things that, without the prior written consent of Guangzhou Yongjie:

- (i) they shall not sell, transfer, pledge or dispose legal or beneficial interest in Guangzhou Quwan, or impose any encumbrances on such rights and interests;
- (ii) they shall increase or decrease the registered share capital of Guangzhou Quwan or in any way alter its existing equity structure at the time of signing of the Exclusive Call Option Agreement;

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- (iii) they shall not transfer, mortgage or in any other form, dispose of or procure the management of Guangzhou Quwan to transfer, mortgage or dispose of any assets, legitimate income and benefits of Guangzhou Quwan in any other form (other than in the ordinary course of business, and to Guangzhou Yongjie and/or the designated person(s));
- (iv) they shall not terminate or procure the management of Guangzhou Quwan to terminate any material contract entered into by Guangzhou Quwan or any other agreement that conflicts with any existing material contract;
- (v) they shall not appoint or replace the directors, supervisors or other management members of Guangzhou Quwan which shall be appointed by the Registered Shareholders of Guangzhou Quwan;
- (vi) they shall not procure or consent to Guangzhou Quwan's declaration of or actual distribution of any distributable profits or dividends;
- (vii) they shall prudently and effectively operate the business and affairs of Guangzhou Quwan based on good financial and business standard, and ensure Guangzhou Quwan to maintain effective existence, and not be terminated, liquidated or dissolved;
- (viii) they shall not procure or consent to Guangzhou Quwan to amend its business scope, articles of association, increase or decrease its registered capital or change its registered capital structure in any other manner;
- (ix) they shall ensure that Guangzhou Quwan does not incur any debts, provide guarantees or other forms of security, or assume any material obligations outside its ordinary course of business (other than debts incurred in the ordinary course of business or debts which have been disclosed to Guangzhou Yongjie and with the written consent of Guangzhou Yongjie); or
- (x) they shall ensure that Guangzhou Quwan does not merge with any person/entity, purchase assets, equity or invests in any person/entity in any manner.

Pursuant to the Exclusive Call Option Agreement, Guangzhou Quwan covenants, among other things that, without the prior written consent of Guangzhou Yongjie, it shall not:

- (i) amend its articles of association, increase or decrease its registered capital or in any way alter its existing equity structure at the time of the signing of the Exclusive Call Option Agreement;
- (ii) assist or permit the Registered Shareholders of Guangzhou Quwan shall not sell, transfer, pledge or dispose legal or beneficial interest in Guangzhou Quwan, or impose any encumbrances on such rights and interests;

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- (iii) terminate any material contracts entered into by Guangzhou Quwan or enter into any other agreement in conflict with any existing material contract;
- (iv) conduct liquidation, dissolution or declaration of termination;
- (v) merge with, purchase, or otherwise invest in any person’s assets, equity; and
- (vi) incur any debts, provide guarantees or other forms of security, or assume any material obligations outside its ordinary course of business.

Guangzhou Quwan has further covenanted that:

- (i) without prior written consent of Guangzhou Yongjie, Guangzhou Quwan shall not distribute any dividend or profits to the Registered Shareholders of Guangzhou Quwan. In the event that the Registered Shareholders of Guangzhou Quwan receive any profit distribution or dividend from Guangzhou Quwan, the Registered Shareholders of Guangzhou Quwan must immediately pay or transfer such amount to Guangzhou Yongjie;
- (ii) they shall immediately notify Guangzhou Yongjie of any lawsuits, arbitrations or administrative procedures relating to its shares or assets which have occurred or may occur; and
- (iii) they shall abide strictly by the Contractual Arrangements, perform the obligations under such agreements effectively, and not take any actions or omissions which may adversely affect the validity and enforceability of such agreements.

Unless otherwise agreed pursuant to the agreement, the Exclusive Call Option Agreement will remain effective until all equity interests in Guangzhou Quwan held by the Registered Shareholders of Guangzhou Quwan are transferred or assigned to Guangzhou Yongjie or its designated person.

Equity Pledge Agreements

Guangzhou Yongjie entered into an equity pledge agreement with Guangzhou Quwan and, each of the Registered Shareholders of Guangzhou Quwan on November 3, 2020. On October 11, 2021, Guangzhou Yongjie entered into amended and restated equity pledge agreements (the “**Equity Pledge Agreements**”) with Guangzhou Quwan, each of the Registered Shareholders of Guangzhou Quwan and the general partners of the Partnership Shareholders, pursuant to which each of the Registered Shareholders of Guangzhou Quwan agreed to pledge their respective equity interest in Guangzhou Quwan to Guangzhou Yongjie to secure performance of (i) the contractual obligations of Guangzhou Quwan under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of the relevant Registered Shareholders of Guangzhou Quwan under the Exclusive Call Option Agreement, the Shareholder Voting Rights

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Proxy Agreement and the Equity Pledge Agreements and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Equity Pledge Agreements.

The general partners of Partnership Shareholders (i) acknowledged that the arrangement contemplated under the Equity Pledge Agreements shall be legally binding on the Partnership Shareholders; (ii) agreed to procure the Partnership Shareholders to comply with the terms of the Equity Pledge Agreements; and (iii) agreed that their decision-making in connection with the disposal of the Partnership Shareholders' interests in Guangzhou Quwan shall be in accordance with the terms of the abovementioned Exclusive Call Option Agreement, Shareholder Voting Rights Proxy Agreement, Powers of Attorney, Equity Pledge Agreements and other supplemental agreements.

Under the Equity Pledge Agreements, each of the Registered Shareholders of Guangzhou Quwan agreed that, the rights of Guangzhou Yongjie with respect to the pledge thereunder shall not be interrupted or impacted by the Registered Shareholders of Guangzhou Quwan or its successors, heirs or representatives, or any other persons through any legal proceedings. If Guangzhou Quwan declares any dividend during the term of the pledge, Guangzhou Yongjie is entitled to receive all such dividends distributed on the pledged equity interest, if any. In addition, pursuant to the Equity Pledge Agreements, each of the Registered Shareholders of Guangzhou Quwan have undertaken to Guangzhou Yongjie, among other things, not to transfer or pledge their respective equity interest in Guangzhou Quwan without the prior written consent of Guangzhou Yongjie.

The Equity Pledge Agreements take effect upon the completion of signing and recording the share pledge in the register of members and shall remain valid until after, amongst others: all the contractual obligations under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Equity Pledge Agreements and payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Equity Pledge Agreements are satisfied in full. As of the Latest Practicable Date, the Target Company registered the share pledge with the relevant PRC governmental authority in accordance with PRC laws and regulations.

If Guangzhou Quwan or any of its shareholders breaches its contractual obligations, Guangzhou Yongjie is entitled to certain rights regarding the pledged equity interests, including the right to receive proceeds from the auction or sale of all or part of the pledged equity interests of Guangzhou Quwan in accordance with PRC law.

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Spousal Consent Letter(s)

Each of the spouses of Mr. Song Ke, Mr. Qiu Zhizhao, Mr. Chen Guangyao and general partners of Partnership Shareholders has signed a spousal consent (collectively, the “**Spousal Consent Letter(s)**”). Under each of the Spousal Consent Letters, each spouse agreed that the disposition of the equity interest in Guangzhou Quwan which is held by their respective spouse shall be made pursuant to the abovementioned Exclusive Call Option Agreement, Shareholder Voting Rights Proxy Agreement, Powers of Attorney, Equity Pledge Agreements and other supplemental agreements, as executed from time to time. The signing spouses also agree that: (i) any equity interests held by their respective spouse in Guangzhou Quwan do not fall within the scope of their communal properties; (ii) each of them will not take any measures that are in conflict with the Contractual Arrangements, including any claims on the interests through legal proceedings; and (iii) each of them will take any necessary measures to procure that the Contractual Arrangements are properly performed.

Dispute Resolution

In the event of any dispute with respect to the construction and performance of the provisions, each of the Contractual Arrangements stipulates that:

- (i) the parties shall first resolve the dispute through friendly negotiations;
- (ii) in the event the parties fail to reach an agreement on the dispute within 30 days following a negotiation request, any party may submit the relevant dispute to the Guangzhou Arbitration Commission (廣州仲裁委員會), in accordance with the then effective arbitration rules of the arbitration commission. The arbitration award shall be final and binding on all parties;
- (iii) the arbitral tribunal may award remedies over the equity interest, assets or property rights of the Consolidated Affiliated Entities, injunctive relief (for conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entities; and
- (iv) the courts of competent jurisdictions shall have the power to grant interim remedies before making a final ruling on the dispute. The courts of Hong Kong, the Cayman Islands or other courts with jurisdiction, including but not limited to the PRC, being the place where the Consolidated Affiliated Entities were established or the place where the principal assets of Guangzhou Quwan and the Consolidated Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

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However, PRC Legal Advisor to the Target Company has advised that the above provisions may not be enforceable 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 the Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that the Consolidated Affiliated Entities or the Registered Shareholders of Guangzhou Quwan breach any of the Contractual Arrangements, the Successor Company may not be able to obtain sufficient remedies in a timely manner, and the Successor Company’s ability to exert effective control over the Consolidated Affiliated Entities and conduct its business could be materially and adversely affected. For further details, please see the section headed “Risk Factors – Risks related to the Target Group’s Corporate Structure”.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders of Guangzhou Quwan. Under the succession laws of the PRC, for individual Registered Shareholders of Guangzhou Quwan, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. For corporate Registered Shareholders of Guangzhou Quwan, the successors include any subsequent entities or liquidators (as applicable) taking control of the company. In case of a breach, Guangzhou Yongjie can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders of Guangzhou Quwan shall inherit any and all rights and obligations of the Registered Shareholders of Guangzhou Quwan under the Contractual Arrangements as a result of their death, loss of capacity, marriage, divorce, bankruptcy or under other circumstances which would affect their exercise of equity interest in Guangzhou Quwan as if the inheritor was a signing party to such Contractual Arrangements.

Pursuant to the Power of Attorney, the Registered Shareholders of Guangzhou Quwan undertake to Guangzhou Quwan, that, in the event of death, incapacity, marriage, divorce, bankruptcy or other circumstances (as applicable) that could possibly affect the exercise or fulfillment of the rights and obligations of the Registered Shareholders of Guangzhou Quwan as a shareholder of Guangzhou Quwan, his, her, its or their successor will be deemed as the signing party to the Contractual Arrangements and shall assume all the rights and obligations of the relevant Registered Shareholders of Guangzhou Quwan.

Conflicts of Interests

Each of the Registered Shareholders of Guangzhou Quwan has given its/his irrevocable undertakings in the Shareholder Voting Rights Proxy Agreement which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, please see “– Shareholder Voting Rights Proxy Agreement and Powers of Attorney” in this section.

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Loss Sharing

None of the agreements constituting the Contractual Arrangements nor the PRC laws provide or require that the Target Company or Guangzhou Yongjie, is obligated to share the losses of the Consolidated Affiliated Entities or provide financial support to the Consolidated Affiliated Entities. Further, the Consolidated Affiliated Entities are companies with limited liabilities and shall be solely liable for their own debts and losses with assets and properties owned by them.

Despite the foregoing, given that the Target Group conducts the Relevant Business in the PRC through the Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals, and that their financial position and results of operations are consolidated into the Target Group’s financial information under the applicable accounting principles, the Target Company’s business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on Guangzhou Yongjie and the Successor Company resulting from any loss suffered by the Consolidated Affiliated Entities.

Insurance

The Target Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

Company’s Confirmation

As of the Latest Practicable Date, the Target Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

EFFECT OF THE CONTRACTUAL ARRANGEMENTS

The Target Company believes that the Contractual Arrangements provide a mechanism that enables the Target Company to exercise effective control over the Consolidated Affiliated Entities, and is narrowly tailored to achieve the business purposes and to protect and safeguard the interests of the Target Company and the future public shareholders in the event of any dispute between the Target Company, the Consolidated Affiliated Entities and the Registered Shareholders of Guangzhou Quwan for the following reasons:

- (i) the arrangement under the Exclusive Technical Service Agreement will ensure that all economic benefits generated from the operations of Guangzhou Quwan will flow to Guangzhou Yongjie whilst ensuring compliance with applicable PRC laws and regulations and the ability to conduct the Relevant Business which is prohibited from foreign investors, foreign-owned or invested entities, and hence, is in the best interest of the Target Group as a whole. The delineation of the assets and staffing

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between Guangzhou Yongjie, which shall be responsible for driving key business decision-making process and provide overall business advice and consulting services, and Guangzhou Quwan, which shall be responsible for the operations of the Relevant Business in compliance with relevant PRC laws and regulations, would allow a proper discharge of the respective responsibilities of Guangzhou Yongjie and Guangzhou Quwan under the Contractual Arrangements and also ensure sound and effective operation of the Successor Company’s Relevant Business in compliance with the Contractual Arrangements and applicable laws and regulations;

- (ii) under the Exclusive Call Option Agreement, the Registered Shareholders of Guangzhou Quwan and the general partners of Partnership Shareholders and Guangzhou Quwan have granted Guangzhou Yongjie an irrevocable right to purchase 100% of their equity interest in Guangzhou Quwan and/or assets of Guangzhou Quwan, respectively. For further details, please see “– Exclusive Call Option Agreement” in this section. These provisions enable Guangzhou Yongjie or its designated person(s) to act as the shareholder(s) of Guangzhou Quwan at its election and thereby ensuring that the Group will continue to maintain the Target Company’s interest in Guangzhou Quwan upon the exercise of the right pursuant to the Exclusive Call Option Agreement;
- (iii) under the Equity Pledge Agreements, the Registered Shareholders of Guangzhou Quwan have provided the share pledge on its equity interest in Guangzhou Quwan in favor of Guangzhou Yongjie. As of the Latest Practicable Date, the share pledge has been registered with the relevant PRC governmental authority. The registered pledge effectively prevents the Registered Shareholders of Guangzhou Quwan from impeding the control of Guangzhou Yongjie over Guangzhou Quwan by transferring their direct or indirect equity interests in Guangzhou Quwan to third parties without the knowledge or approval of Guangzhou Yongjie;
- (iv) under the Shareholder Voting Rights Proxy Agreement and Powers of Attorney, the Registered Shareholders of Guangzhou Quwan and the general partners of Partnership Shareholders irrevocably appoint Guangzhou Yongjie or its designated person(s) to exercise all the rights it has as the shareholders of Guangzhou Quwan. These provisions provide Guangzhou Yongjie with the power to determine or change the composition of the board of directors and management team of Guangzhou Quwan at its election. Through Guangzhou Yongjie, the Target Group will have the ability to control the management of Guangzhou Quwan without the need for further action or cooperation from the Registered Shareholders of Guangzhou Quwan; and
- (v) under the Spousal Consent Letter(s), each of the spouses of the relevant individual Registered Shareholders of Guangzhou Quwan and the general partners of Partnership Shareholders undertakes not to take any actions that are in conflicts with the Contractual Arrangements.

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, the PRC Legal Advisor to the Target Company is of the view that:

- (i) the Contractual Arrangements as a whole are not in violation of applicable laws and regulations and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto except in relation to the dispute resolution clause: the Contractual Arrangements provide that any dispute shall be submitted to the Guangzhou Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Guangzhou. They also provide that the arbitrator may award interim remedies over the shares or assets of Guangzhou Quwan or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Target Company) and the PRC (being the place of major assets of the Target Company) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of Guangzhou Quwan. However, the PRC Legal Advisor to the Target Company has advised that tribunal normally would not grant such injunctive relief or order the winding-up of Guangzhou Quwan pursuant to current PRC laws. In addition, the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC;
- (ii) the execution and performance of the Contractual Arrangements would not be deemed as 'malicious collusion to damage the legitimate rights and interests of others' under PRC Civil Code;
- (iii) the execution and performance of the Contractual Arrangements do not violate the provisions of the articles of association of Guangzhou Yongjie and Guangzhou Quwan;
- (iv) the execution of the Contractual Arrangements currently does not require any approvals or authorizations from PRC governmental authorities according to the currently effective laws and regulations, except that:
 - (a) the pledge of any equity interest in Guangzhou Quwan in favor of Guangzhou Yongjie is subject to registration requirements with the relevant administration for market regulation;
 - (b) the exercise by Guangzhou Yongjie of its option rights under the Exclusive Call Option Agreements to acquire all or part of the equity interests in Guangzhou Quwan is subject to the approval of, consent of, filing with and/or registration with PRC governmental authorities;

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- (c) the transfer of the equity interest in Guangzhou Quwan contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws; and
- (d) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement.

As the interpretation and application of current and future PRC laws and regulations is subject to amendments and changes and still developing, the PRC Legal Advisor to the Target Company also advised us that there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion. See “Risk Factors – Risks related to the Target Group’s Corporate Structure – If the PRC government deems that the Contractual Arrangements in relation to the Consolidated Affiliated Entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish its interests in those operations.” and “Risk Factors – Risks related to the Target Group’s Corporate Structure – We rely on Contractual Arrangements with Guangzhou Quwan and the Registered Shareholders of Guangzhou Quwan to operate our business, which may not be as effective as direct ownership in providing operational control and could adversely affect our business, operating results and financial condition.”

Nevertheless, based on the foregoing, the Target Company believes that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable the Target Company to control its Consolidated Affiliated Entities that engage in the operation of its Principal Business where the PRC laws and regulations impose foreign ownership restrictions.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law

The PRC Foreign Investment Law (《中華人民共和國外商投資法》) (“FIL”) was adopted at the Second Session of the Thirteenth NPC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the Sino-Foreign Equity Joint Venture Law of the PRC (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Law of the PRC (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》), and became the legal foundation for foreign investment in the PRC. For further details, please see the section headed “Regulations—Regulations Related to Foreign Investment”.

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The FIL stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list,” issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list,” management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL does not contain or quote the stipulation of the “negative list.”

The definition of “foreign investors” in the FIL includes foreign natural persons, enterprises and other organizations.

Moreover, the FIL does not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on “other means.”

Impact of FIL on Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by the Target Company in the form of the Contractual Arrangements, to establish control of the Consolidated Affiliated Entities, through which the Target Company operates the Relevant Business in the PRC. The FIL stipulates four forms of foreign investment, but does not mention concept “actual control”, nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the coming into effect of the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of the Contractual Arrangements.

If the operation of the Relevant Business of the Target Group is not on the “negative list” and the Target Company can legally operate such businesses under PRC laws, Guangzhou Yongjie will exercise the option under the Exclusive Call Option Agreement to acquire the equity interest of the Consolidated Affiliated Entities and unwind the contractual arrangements subject to re-approval by the relevant authorities.

Furthermore, the FIL stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council”. Although its implementing rules do not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard

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contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the 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 the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and Regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of the Successor Company Shares. For further details, please see the section headed “Risk Factors – Risks related to the Target Group’s Corporate Structure”.

Sustainability of the Relevant Business of the Target Group

If any ancillary regulations or implementation rules of the FIL and the “negative list” subsequently issued mandates further actions for us to retain the Contractual Arrangements, the Target Company will take all reasonable measures and actions to comply with the FIL or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on the Target Company. However, there is no assurance that the Target Company can fully comply with such law. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against the Target Company which may have material adverse effect on the trading of The Successor Company’s Shares. If, after the completion of the De-SPAC Transaction, the Target Company fails to comply with the new foreign investment law as finally promulgated, the Target Company may be required to dispose of its Relevant Business operated through the Consolidated Affiliated Entities under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the new foreign investment law as finally promulgated.

In the worst case scenario, if any new foreign investment law subsequently promulgated is refined or deviates from the FIL, resulting in the Contractual Arrangements becoming invalid and illegal, the Target Group may not be able to operate the Relevant Business through the Contractual Arrangements and may lose its rights to receive the economic benefits of the Consolidated Affiliated Entities and the financial results of the Consolidated Affiliated Entities may no longer be consolidated into the Target Group’s financial results and the Target Group would have to derecognize their assets and liabilities according to the relevant accounting standards. If the Target Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, the Directors of the Successor Company are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. However, there is no guarantee that the PRC government will not take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

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The Target Company will, after the completion of the De-SPAC Transaction, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL that will materially and adversely affect the Target Company as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by the Target Company to comply with the law, as well as its material impact on its business operation and financial position.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to IFRS 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 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 the Target Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements as mentioned above enable the Target Company to exercise control over the Consolidated Affiliated Entities.

Consolidation of financial results of the Consolidated Affiliated Entities

Under the Exclusive Technical Service Agreement, it was agreed that, in consideration of the services provided by Guangzhou Yongjie, Guangzhou Quwan will pay services fees to Guangzhou Yongjie. The service fee shall be paid annually and in the amount equivalent to the audited profit before tax of Guangzhou Quwan (net of costs and expenses) in accordance with the Chinese Accounting Standards. Guangzhou Quwan shall also allow Guangzhou Yongjie to inspect their accounts, and provide other information relating to their operation, customers, financial information and employees. Accordingly, Guangzhou Yongjie has the ability, at its sole discretion, to extract substantially all of the economic benefit of the Consolidated Affiliated Entities through the Exclusive Technical Service Agreement.

In addition, under the Exclusive Call Option Agreement, Guangzhou Yongjie has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the Consolidated Affiliated Entities as Guangzhou Yongjie prior written consent is required before any distribution can be made. In the event that the Registered Shareholders of Guangzhou Quwan receive any profit distribution or dividend from the Consolidated Affiliated Entities, the Registered Shareholders of Guangzhou Quwan must immediately pay or transfer such amount to the Target Company.

As a result of these Contractual Arrangements, the Target Company has obtained control of the Consolidated Affiliated Entities through Guangzhou Yongjie and, at the Target Company’s sole discretion, and can receive substantially all of the economic interest returns generated by its Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities’ results of operations, assets and liabilities, and cash flows are consolidated into the Target Company’s financial information.

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In this regard, the Directors of the Target Company consider that the Target Company can consolidate the financial results of the Consolidated Affiliated Entities into the Target Group’s financial information as if it was the Target Company’s subsidiary.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the revenue generated from the Consolidated Affiliated Entities (excluding intra-group transactions) was approximately RMB1,493.4 million, RMB2,626.4 million, RMB3,365.1 million and RMB1,604.9 million, representing approximately 100.0%, 99.8%, 98.9% and 98.6% of the consolidated revenue of the Target Group, respectively.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

The Successor Group has adopted the following measures to ensure the effective operation of the Successor Group with the implementation of the Contractual Arrangements and its compliance with the Contractual Arrangements:

- (i) as part of the internal control measures, major issues arising from the implementation of and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Successor Board, if necessary, for review and discussion on an continuous basis;
- (ii) the Successor Board, particularly its independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the Successor Company will disclose in its annual report our independent non-executive Directors’ confirmation;
- (iii) the Successor Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors;
- (iv) the Successor Company and its Directors undertake to provide periodic updates in its annual and interim reports regarding (a) the status of compliance with the FIL, and (b) the latest regulatory development in relation with the FIL;
- (v) the Successor Company will engage external legal advisors or other professional advisors, if necessary, to assist the Successor Board to review the implementation of the Contractual Arrangements and both legal and compliance issues in relation to Guangzhou Yongjie and the Consolidated Affiliated Entities in order to deal with specific issues or matters arising from the Contractual Arrangements;

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- (vi) because the Contractual Arrangements will constitute continuing connected transactions of the Successor Group following the completion of the De-SPAC Transaction, the Target Company has applied to the Stock Exchange, and the Stock Exchange has [agreed] to grant a waiver, details of which are set out in the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions – Contractual Arrangements”. The Successor Company will comply with the conditions prescribed by the Stock Exchange under the waiver given; and

- (vii) the Successor Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and it will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by the Successor Company’s subsidiaries without such arrangements in place.

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Unless the context otherwise requires, all references in this section to “we,” “us” or “our” refer to Quwan Holding Limited (趣丸集团) (the “Target Company”), its subsidiaries, and Consolidated Affiliated Entities (together, the “Target Group”)

OVERVIEW

Why We Created *TT Chat*

The internet has become an increasingly integral part of Generation Z’s daily lives with an increasing amount of their time spent online. Generation Z has strong and unique demands for online platforms that address their social and entertainment needs – where they can find a strong sense of companionship, build relationships, and have fun in an interactive community of like-minded friends.

This is what inspired us to create the *TT Chat* app, our flagship mobile voice-based, gamer-based social network app designed to make the process of building connections among Generation Z easier and more joyful. As a social platform, *TT Chat* initially distinguished itself as a gamer-based community that brought a large base of game lovers together through its in-game interactive tools. Over time, we have grown *TT Chat* into a popular social entertainment platform offering highly interactive voice-based chatrooms and a variety of entertainment features that create a better experience than in-game communications and traditional live streaming entertainment.

What We Do

We are a leading interest-driven mobile social platform in China that endeavor to engage, link and connect Generation Z users. With our diversified product features and functions, we encourage relationship building and social interactions among our users who are primarily game lovers, by offering services and functions that improve gameplay experience. Through our voice-based and other real-time interactions and entertainment offerings, we further enhance the formation of social connections among our users.

We built our platform to be interest-driven, decentralized and voice-based to foster social relationships. Our platform attracts users who share similar interests, such as enthusiasm for games and music. The shared interests offer a universal language that helps establish and deepen interpersonal relationships. We promote a decentralized community, where we provide social entertainment scenarios that facilitate multi-way interactions among multiple users. On traditional live streaming platforms, chatrooms are centered around the live streamed performance of a professional host with massive participants simply being viewers, whereas on our platform, multiple users can interact with each other in chatrooms with more interpersonally connected online social environment through voice, text, virtual gifts, and a variety of other social and entertainment functions offered in our chatrooms, fostering a “decentralized” community. This user community fosters an open environment that gives users a personal cyberspace to express themselves, encouraging them to form relationships built on their shared interests and passion in games and other topics. Our voiced-based platform is appearance-agnostic and is suitable for expressing varied emotions and establishing real-time companionship, bringing strangers closer and fostering interpersonal connections. We are the

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largest mobile voice-based social network platform in China in terms of revenue in 2022, according to Frost & Sullivan. Our deep understanding of Generation Z and their broader social needs allows us to create a highly interactive social environment that encourages our users to explore new areas of interest through voiced-based social interactions.

We operated the *TT Chat* platform with 12.6 million average MAUs in the six months ended June 30, 2023. Through its interactive functions, *TT Chat* encourages communications and promotes interactions among users. Our matching algorithm encourages users of different locations and hobbies to team up and socialize with each other based on relevant data points such as their gaming experiences and common interests. Its core function matches users, who may be initially unknown to each other, based on their individual profiles, entertainment and social needs in a voice chat room setting, creating a socially engaging and fun experience with rich interactive features and entertainment scenarios. Among these scenarios, gaming is one attractive entry point given its popularity and cohesiveness among users. We are the largest mobile gamer-based social network platform in China in terms of revenues in 2022, according to Frost & Sullivan. *TT Chat* strives to improve the game co-experience for our users through finding each interested user the most suitable game buddies with the right levels of skills, playing styles and preferences, and other relevant game facilitation attributes. Leveraging on our advanced voice-based platform, we also offer an increasing number of voice-based social entertainment scenarios to promote post-game social interactions among users. In addition to gaming, we are expanding into other areas of social interests, such as role-play dubbing and music.

Who We Serve

We have a large and engaged user base. Our users are constantly exploring new social connections with others who have similar interests and passions. They are young, energetic and have attractive spending potential for social networking and entertainment. Based on information available to us, as of June 30, 2023, over 90% of our users were aged 30 or below. In the six months ended June 30, 2023, approximately 81.6% of our revenue was attributed to users aged 18 to 35 based on information voluntarily provided by users. In the six months ended June 30, 2023, our users spent an average of approximately 181 minutes every day in our voice chatrooms. In addition to voice chatrooms tailored for popular games, we offer in-app mini casual social games and other social entertainment scenarios, on our platform for users to relax and socialize to further increase user time spent.

How We Generate Revenue

We primarily monetize our services through users’ consumption of virtual items sold on our *TT Chat* as they interact with other users and hosts. Purchase and consumption scenarios are seamlessly integrated into the diversified social networking and entertainment features and functions on our platform, where users can purchase a wide selection of virtual items and send

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them as gifts to others to express themselves and deepen their social relationships with friends made on our platform. These items mainly include consumable virtual gifts to be presented to other users and privileges that allow the users to showcase their virtual identities in a voice chat room.

We take a portion of the virtual items’ value when users consume their virtual items on our platform. For details of how we recognize revenues under different scenarios, see “– Our Monetization.”

- We design certain types of our voice chatrooms with features and functions that encourage multi-way interactions among multiple users as well as between users and hosts, such as matching features, functions tailored to specific voice-based social entertainment activities, and interactive features and functions such as chatting and virtual gifting between users. Our users can team up in popular games operated outside of our platform, chat with other users who share common interests, play casual social games together and participate in entertainment activities of their choice, such as online dating, online karaoke and roleplay dubbing. During this process, our users can send virtual gifts to each other and to the hosts to show their appreciation. Functions and features offered in such multi-way interaction scenarios are part of our value-added services.
- We also contract with hosts who broadcast entertainment content mainly in audio streaming rooms to a large audience of users who can send virtual gifts to hosts to show their appreciation and support. Functions and features offered in such audio streaming scenarios are part of our audio entertainment services.

We have a balanced gender distribution among our paying users, approximately 48.9% of which were female in June 2023.

To elevate our brand and enhance our value propositions to our users, we also engage in other businesses, such as Esports team operations, which also provide us with attractive monetization and marketing opportunities.

Value Propositions to Our Community

We believe that China’s Generation Z have strong desires for social connectedness. Voice-based communication provides the best medium to connect these people through its unique humanness and higher communication efficiency than provided by other formats such as the exchange of pictures, videos and text messages. Gaming is a universal language that helps establish and deepen relationships. The voice-based communications enabled by *TT Chat* can be operated seamlessly in parallel with games or other popular mobile apps, which greatly expands the use cases and scenarios for social interactions and entertainment.

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We offer unique value propositions to all of our users throughout their journey on *TT Chat*:

- *Deliver comprehensive social experiences*: Unlike other social entertainment platforms centered on a limited number of popular hosts or audio streamers, we have made *TT Chat* a decentralized social destination that offers every user the excitement of meeting and playing with new friends in diversified social entertainment scenarios. Users have created hundreds of thousands of virtual chatrooms on our platform where multiple users can interact with each other through voice, text, virtual gifts, and a variety of other social and entertainment functions. These virtual chatrooms are welcomed by our users as a personal cyberspace to express themselves to those who share common interests and passion for games and other topics. Our recommendation algorithms also match our users looking for socialization with other users with whom they are more likely to generate rapport. In our voice-based interactive entertainment scenarios, hosts on our platform stimulate more interactions among users, rather than performing a monolog. We believe these decentralized social interaction opportunities make us a preferred voice-based social destination and cultivate a welcoming environment that further drives user engagement.
- *Stimulate social interactions in diverse scenarios through voice chats*: We create diversified social entertainment scenarios such as online dating, karaoke and role play dubbing, as well as various in-app mini casual social games to encourage deeper social engagement and emotional resonance among our users. Through our voice chatrooms and interactive functions, users are encouraged to establish their unique personal image and charm to attract new friends. For example, multi-player interactive games naturally create a constant demand for in-game instant communications and information exchanges through voice chats – the only form of communication compatible with fast-paced gameplay. Teamwork and chemistry are central to the game co-experience. Playing games together serves as a natural ice-breaking opportunity after users are connected for the first time. We match users based on their level of skill, playing styles and preferences, and other relevant game-centric attributes. Compared to in-game matching functions offered by other game developers, we believe that our personalized matching and recommendation functions are more intelligent and effective in pairing the most suitable game buddies to drive a better gameplay experience. With the growing granular user data accumulated on our platform, our algorithms are becoming increasingly smarter through machine learning and are able to match game buddies more accurately.

We also offer diverse value propositions to other relevant stakeholders:

- *Providing additional channels for game developers to engage a large audience*: Our platform brings together individuals who share common interests in games. The large, growing gamer base of our platform naturally gives game developers a direct line of communication with their target audience to promote their latest game titles.

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Active users on our platform may be awarded with new skins and tools to be used in third-party games such as *Honor of Kings* (王者榮耀) and *Game for Peace* (和平精英) offered by our game developer partners. Through our platform, game developers can also gather valuable feedback and insights into the purchase and gaming behavior of our users to learn more about the target audience and improve gaming experience.

- *Discovering talents and providing economic returns to hosts and guilds:* As users become more engaged on our platform, we may encourage them to become a host in our voice chatrooms to make more friends and drive interactions among more users. Once registered with our platform, hosts enter into contracts with either a guild or us to drive social interactions among users in our voice chatrooms and/or to broadcast audio entertainment content to a large group of users, as the case may be. As an open social platform that features diverse social entertainment offerings and welcomes hosts to promote and monetize their traffic through social interactions, we also cooperate with guilds to identify, support and manage hosts and further diversify our social entertainment and content offerings. Through our revenue sharing arrangements, we deliver value propositions to hosts and guilds, motivating them to create more interactive audio entertainment content and promote user interactions on our platform.

OUR STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and enable us to fulfill our mission and achieve long-term success.

Leading Interest-driven Mobile Social Platform

TT Chat is an interest-driven mobile social networking app created to facilitate social relationships among users through leveraging our intelligent matching capabilities, diversified social features and entertainment scenarios. Over the years, we have been focusing on facilitating decentralized social interactions – meaning that users are not attracted by a limited number of highly popular hosts or audio streamers. Rather, we provide each user with equal opportunities to receive engagement and interact with other like-minded users across a diversified range of social and entertainment use cases. Users initiate virtual chatrooms on our platform where multiple users can interact with each other through voice, text, virtual gifts, and a variety of other functions. These virtual chatrooms are welcomed by our users as a personal cyberspace to express themselves to those who share common interests and passion for games and other topics. On June 30, 2023, over 90% of our chatrooms on *TT Chat* had less than 10 users simultaneously in a chatroom, which creates a more interpersonally connected online social environment.

We are the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China in terms of revenues in each area for 2022, according to Frost & Sullivan.

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We believe *TT Chat* has become the go-to online destination for game enthusiasts in China to find companionship and have fun. The voice-based nature of our platform leads to social interaction scenarios with a relatively small number of users, which in turn enables us to benefit from the user interactions to create emotional connections among our users.

Large and Engaged User Community

We have a large and engaged user community. In the six months ended June 30, 2023, our average MAUs was 12.6 million, and our average MPUs was 897.0 thousand. In 2022, our average MAUs reached 13.8 million, and our average MPUs reached 1.0 million. In 2020, 2021, 2022 and the six months ended June 30, 2023, our users spent an average of approximately 156, 161, 180 and 181 minutes in our voice chatrooms on a daily basis, respectively. As of June 30, 2023, based on information available to us, over 90% of our user base was aged 30 or below. Over time, we have grown our platform to appeal to a user base with balanced gender distribution. Approximately 48.9% of our paying users in June 2023 were female. We believe the diversified content, gaming and audio entertainment offered by our *TT Chat* platform meets interest-driven social needs and is welcomed by users of different genders.

Our platform attracts game lovers with varied levels of skill and experience, which enables us to successfully help more gamers find the best-matched game buddies. Through a better gameplay experience with suitable game buddies, our users are more deeply engaged with each other and more encouraged to interact with each other in other social networking use cases beyond playing games together. As a result, we benefit from this strong self-reinforcing network effect inherent in our platform – as our user base rapidly grows, more interactions and content are generated on our platform in more diversified use cases, which increases the overall appeal of our platform to more new users.

The decentralized nature of social interactions we promote on our platform has also led to a more engaged user base that offers attractive long-term monetization potential in a cost-effective way. In 2020, 2021, 2022 and the six months ended June 30, 2023, our daily average next day user retention ratio was 66.2%, 65.9%, 69.0% and 69.1%, respectively.

Diversified Product Features Bringing About Captivating User Experience

We provide an online destination for our users, including game lovers, to socialize and have fun together. To address the varying social needs of our users, our platform helps users find, connect, interact and have fun with their new friends through our matching and recommendation functions.

Our voice chatrooms are designed to facilitate both pre- and post-game social interactions and provide a virtual social environment for our users to interact with each other in an immersive group setting. We purposefully designed our voice chatrooms to be as open-ended and interactive as possible, without dictating a specific theme or ways of interacting. Users in our voice chatrooms can initiate and participate in group interactions, such as music-sharing,

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anime discussion, role-play dubbing, or chitchatting without a fixed topic, to name a few. On our platform, gamers who team up to play online games with each other often use the same chatroom to socialize and discuss other topics of interests before and after playing the games. User interactions in our voice chatrooms are driven by their common interests, such as enthusiasm for games, music, anime or literature, and a desire for self-expression through voice chats. We have developed a diversified range of product features and functions to address the derivative social needs of users beyond the gaming context. These features and functions include interest-driven matching mechanisms, virtual gifting, moments, in-app casual social games, and other social entertainment scenarios facilitated by hosts on our platform, such as online dating and online karaoke, which enhance the diversity and quality of user engagement, rather than just increasing the length of user time spent.

Solid Technological Infrastructure

Our ability to attract and serve a large and active user base is underpinned by our data analytics and technology infrastructure. Through years of development, our proprietary algorithms underlying our data analytics system has enabled us to improve the success rate of user matching and provide more personalized voice chat room recommendations which naturally leads to higher user engagement and satisfaction. Through analyzing user data related to behavior and preference based on deep learning technology, we have constructed multi-category user tags and dimensions covering a wide range of user preferences. We have also created characteristic tags for multiple categories and dimensions. Such matching tags include voice chatrooms covering factors such as gameplay levels, gameplay style preference, and in-game communication style. By matching the various user tags and room characteristic tags, we have improved the chance of satisfactory matching among users and between users and chatrooms. Our deep understating of the social scenarios is critical to making the matching algorithm smarter. For example, for users interested in playing *Honor of Kings*, we match users based on their key in-game attributes voluntarily inputted by them. Some key attributes include the winning ratio with certain game characters, preferred game characters and familiar game styles. The interpretation and weighing of these complex attributes and preferences greatly affect success rates of matching. In the six months ended June 30, 2023, our platform matched approximately 735,000 new pairs of users who followed each other on average every day.

We provide personalized matching and recommendation functions through our continually improving capability of user profiling and the inclusion of more relevant data tags to each user profile. Apart from standard data tags such as gender, age, gameplay experience and interests, we are also capable of tracking behavioral and other types of data such as time spent in each voice chatroom, activities engaged in by users in a particular voice chat room, and users' profile pictures and nicknames, among others. These analytics of user profiles and other real-time behavior data enables us to develop a deeper understanding of social connections and drive user growth and engagement.

We adopt solid technologies to offer voice-based communications among users, delivering a satisfactory user experience. Our platform is highly scalable as we can rapidly expand our network capacity on demand, which supports our geographic expansion and the

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rapid growth of our user base. We have also leveraged machine learning and artificial intelligence technologies to develop a proprietary automated system to facilitate content screening and monitoring to ensure the integrity of our content and platform.

Shared Community Value Resulting In Strong Monetization Potential

We have successfully proven that the social relationships built and enhanced in our user community can be monetized as we purposefully foster a user community and a facilitating environment that drive like-minded users’ inherent desire to engage with each other. Users come to us to socialize with their new game buddies and new friends. Through our understanding of our users behavior in our community, we are able to create, encourage and deepen social relationships among our users, which serves as the foundation of our ability to drive user spending. Sales of virtual items are seamlessly integrated with the social and entertainment features and functions on our platform, allowing users to express and differentiate themselves through virtual gifting.

In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our average MPUs were approximately 643.9 thousand, 965.6 thousand, 1,000.3 thousand, 1,096.0 thousand and 897.0 thousand, respectively, representing paying ratio of 5.3%, 5.7%, 7.2%, 7.4% and 7.1%, respectively. In the six months ended June 30, 2023, approximately 2.1 million users had sent virtual gifts to others, and approximately 2.8 million users had received gifts from others. The large number of users who had received and sent gifts demonstrates the multi-way interactions that we believe are unique to our decentralized approach to engage with our user community. We are still in the early stages of monetization but have already achieved rapid growth with our revenues increasing from RMB1,493.4 million in 2020 to RMB2,630.6 million in 2021, and further to RMB3,402.0 million in 2022. Our revenue decreased slightly from RMB1,659.5 million in the six months ended June 30, 2022 to RMB1,627.5 million in the same period in 2023.

Professional and Experienced Leadership

Our platform was founded on our passion for games and bringing people together. Our founder, Mr. Song Ke, is an entrepreneur in the game industry with deep insight into the interests and needs of game lovers and Generation Z in China. He has tremendous impact on our core corporate values of integrity, caring, and innovation. Under his leadership, our senior management team has spearheaded our rapid growth and expansion.

Our senior management team consists of industry veterans who have extensive experience in China’s game and mobile internet industries. Our director and senior vice president, Mr. Chen Guangyao worked for Tencent (0700.HK) and JOYY (Nasdaq: YY) before co-founding the Target Company. Our vice president and chief technology officer, Mr. Xie Rui, worked for JOYY before joining us. They brought extensive product development and technology expertise to the Target Company. We believe our management’s experience, combined with first-hand market insights and strong execution capabilities, will enable us to solidify our market leadership and drive our continued growth.

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OUR STRATEGIES

We intend to achieve our mission and further solidify our leadership position by focusing on the following growth strategies.

Drive Healthy and High-quality User Base Expansion

Our high-quality user community is the bedrock of our future growth. We will continue to attract more users to our platform and intend to increase our market share by further expanding our presence across different demographic groups, such as female and Generation Z users. Toward this goal, we will strengthen our marketing effort in targeted user acquisition through more diversified online and offline promotional activities. For example, through popular mobile apps and platforms, we will develop trendy contents such as short-form videos and deploy those contents in digital advertisement or co-branding marketing campaigns with social influencers, among others. For offline activities, we will continue to invest in sponsorship of a variety of professional Esports leagues and tournaments in China, in collaboration with other Esports and gaming companies, in order to promote our brand recognition, expand our user base and enhance user engagement in order to increase our platform’s overall appeal to a larger user base with different backgrounds and from different demographic groups.

We intend to continue to foster a healthy and high-quality user base by providing a satisfactory user experience. We will continue to improve our user matching capabilities through leveraging our insights into the massive trove of data generated on our platform. We will also further enrich the features, functions and content offerings on our platform to help more users engage with others and cultivate long-lasting connections. We believe these efforts will further deepen the bonds among our users, increase their engagement with our platform, and help us foster a close-knit, diverse user community.

Engage User Community with Diversified Offerings

We endeavor to offer a one-stop social entertainment experience to our large and engaged user base.

- *Diversify use cases:* We are committed to further expanding our *TT Chat* platform to cover more diversified use cases to address the varying social and entertainment needs of our users, especially our users with diverse preferences from different demographic groups, such as female and Generation Z users. We will further fulfill our users’ need for companionship beyond gaming context, such as real-time voice chatting while engaging role-play and watching movies and TV series.
- *Enrich popular topic categories:* We plan to cover more topic categories such as music, role-play dubbing, movies, anime and lifestyles. To better serve our users’ diversified and growing interests, we will also continue to increase the popularity of these topics among our users through means such as collaboration with social influencers.

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- *Enhance product features:* We aim to inspire our users to generate high-quality interactions and engaging content on our platform through introducing innovative features and functions. For example, we plan to further develop our membership services to enhance user experience and develop new features that enable users to create their own mini-games and to record content created in our voice chatrooms and share it with others.

Enhance Technology Capabilities

As a technology-driven company, we are committed to investing in technology across all key aspects of our operation. Our middle platform serves as the nexus of all our products, data, and features. In addition to hardware upgrades, we plan to recruit top-notch talents, experienced engineers and top graduates to strengthen our middle platform capacities by: (i) developing and applying advanced algorithms machine learning technologies to improve effectiveness of user matching and content recommendation and the efficiency of our user acquisition efforts; (ii) improving system and algorithm’s stability, speed, and responsiveness when running analytics over a plethora of ever increasing volume of user data to enable us to better understand user needs and preferences; and (iii) exploring virtual reality and artificial intelligence technologies to provide immersive, interactive and engaging user experiences. As our platform is rapidly growing, we believe such effort will improve our operating efficiency and allow us to continue to improve our user matching capabilities, real-time voice-based product features and functions, and enhance personalization and user experience.

To maintain our long-term competitiveness and platform compliance, we will also invest more resources in content monitoring, data privacy and cybersecurity, including enhancing the corresponding technologies and infrastructures and increasing headcounts in the respective departments, in order to further automate content monitoring processes and support our growing scale and geographic expansions without sacrificing user experience.

We will continue to upgrade our audio technology infrastructure to enable high-quality connections with high-transmission stability and low latency under different network and bandwidth environments. We will also closely track and invest in emerging technologies that would be beneficial to communicate in a more expansive and communal virtual setting, such as augmented reality and virtual reality technologies.

Explore Overseas Expansion Opportunities

We believe there is significant potential for us to grow our global reach. We plan to further grow such user bases by (i) conducting online advertisements and branding campaigns, (ii) collaborating with international and local game developers, content creators and intellectual property owners that are active in such overseas markets, and (iii) recruiting talents and localizing our back-office and technology support.

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We also intend to selectively pursue potential expansion opportunities in other overseas markets with favorable competitive landscapes and high growth potential. We plan to enter such markets through strategic branding, partnership or investment. We have a track record of successfully identifying user needs, developing innovative product features, and implementing effective monetization models in the Chinese market. We believe our extensive experience and unique operational know-how accumulated in the Chinese market will allow us to expand effectively in overseas markets. Through our operations in China, we have developed our core competence in intelligent matching capabilities and diversified social features and entertainment scenarios, which drive the popularity of our virtual chatrooms as a place for our users to express themselves to those who also share common interests and passion for games and other topics. We have also successfully proven that the social relationships built and enhanced in our user community can be monetized in effective ways through virtual gifting and other ways. Therefore, we aim to provide overseas users with a social entertainment experience that would be as fun and personalized as what we provide to our users in China. With our business model rooted in social connections built on common interests, we believe such model is adaptable to selected overseas markets, as the companionship and entertainment enjoyed by our users in China is commonly desired by rising young populations from different regions and countries. The adaptability and scalability of our business model is further demonstrated by a number of other leading Chinese social platforms expanding similar businesses overseas, while localizing their product offerings to address the specific needs and preferences of overseas users. See “Industry Overview of the Target Group – Global Opportunities for Chinese Mobile Social Networking Platforms.” Additionally, with the intention to explore overseas markets that present attractive growth opportunities, we plan to expand our international footprints by launching self-developed or proprietary games that target users overseas. Our planned launch of self-developed or proprietary games is primarily intended as a tactic to plant a seed for topics of interest in order to build an interest-driven social community in overseas markets. With our insights and control on the theme of self-developed or proprietary games, we believe we can shape our brand image with autonomy and tailor the games to our overseas strategies.

OUR PLATFORMS

We operate *TT Chat* platform, an integrated, interest-driven mobile social networking app, with an average MAUs of 12.6 million in the six months ended June 30, 2023 and 235 million registered users as of June 30, 2023. As a starting point, *TT Chat* strives to improve the co-experience for all gamers, through finding everyone the most suitable game buddies with the right level of skill, playing styles and preferences, and other relevant gamer-based attributes. This gamer-based social platform is uniquely positioned to connect users of Generation Z and address their diversified social interaction needs. Through its interactive functions, *TT Chat* encourages communications and fuels interactions for players across different demographics. Its core function matches users, who may be originally unknown to each other, based on their individual profiles in a voice chat room setting, creating a socially engaging and fun gameplay experience. *TT Chat* is also designed to encourage both pre- and post-game social interactions and social interactions beyond the game context with its rich social features and entertainment scenarios. Our deep understanding of gamers and the broader social needs of Generation Z allows us to create a highly interactive social environment that appeals to our users.

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TT Chat currently unifies *TT Chat* app, Huanyou app (歡遊), Mijing app (謎境) and Mic app (麥可) as one integrated interest-driven social platform. *TT Chat* app, our flagship mobile app, is an all-inclusive interest-driven mobile social networking app. Huanyou app (歡遊), Mijing app (謎境) and Mic app (麥可) are ancillary, emerging interest-driven mobile social networking apps that each serves a distinct user group by catering to their specific, different interests in gaming, role-play dubbing and online karaoke, respectively. All mobile apps on our *TT Chat* platform operate indivisibly and share the same technological infrastructure. As part of our integral, all-in-one *TT Chat* platform, Huanyou app (歡遊), Mijing app (謎境) and Mic app (麥可) serve as distinct, complementary portals that attract different groups of users with specific interests to our *TT Chat* platform, providing them with unique opportunities to engage and interact with other like-minded users. Such diversification also allows us to make online marketing and branding investments in a more targeted and hence more cost-effective manner.

We also operate other complementary mobile apps to enrich our users’ interest-driven social experiences, including *Uki* app. Currently, *Uki* app is still at an early stage of development and its contribution of users and revenues are not material to the Group. In 2022, we acquired *Singduck* (唱鴨), an interest-driven social mobile app that focuses on music live performance, which further enhances the portfolio of our interest-driven mobile social apps. Each of *Uki* app and *Singduck* app operates independently from our *TT Chat* platform.

The *TT Chat* Social Experience

During the Track Record Period, the social experiences provided on our *TT Chat* platform were constantly upgraded to cater to the evolving needs of our growing user base. In the early stage of its development, we positioned *TT Chat* to primarily serve the social needs of game players with its game buddy matching and chatroom audio interaction tools. As more users were attracted to the platform and their relationships deepened through multiple gaming co-experiences and post-game social interactions, we launched an increasing number of voice-based social entertainment scenarios to increase user time spent on our platform and capture new monetization opportunities. In July 2020, to fulfill users’ diversified demand for professionally generated audio entertainment content, *TT Chat* started to offer audio streaming rooms where a host broadcasts audio entertainment content to a large audience of users and establishes emotional connections with users. Notwithstanding the evolvement of the social experiences we offer, *TT Chat* commits to offering decentralized social experiences. We employ a decentralized user and content recommendation method to ensure that every user receives attention and exposure. On June 30, 2023, over 90% of our chatrooms on *TT Chat* had no more than 10 users simultaneously in a chatroom which creates a more interpersonally connected online social environment. These features cultivate a welcoming environment to encourage users to engage with the community.

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Game Buddy Matching

Most of the users initially come to *TT Chat* to find the best game buddies. We match our users with each other accurately and efficiently via our recommendation algorithm, game-specific filtering criteria and various gamer-based matching features. Our game buddy matching services are offered free of charge to all of our users.

Our large, growing and engaged user base, with different profiles and preferences, provides ample matching choices for new and existing users who look for game buddies on *TT Chat*. Our proprietary game buddy matching system is underpinned by the large amount of gamer-focused data we accumulate during the course of our operation. This system has incorporated more than 70 descriptive tags to depict a comprehensive user profile – creating a unique “gamer” virtual identity for each user on our platform. Once a user opens an account with us, she or he will be prompted to answer a series of fun questions to set up a “gamer ID card” with their personal preferences and characteristics. As the user’s preferences change and as his or her playing records develop over time, our system will update the gamer profile accordingly. Through this process, we will be able to profile users more accurately with more descriptive tags, which will, in turn, contribute to a more personalized game buddy matching experience.

We believe our game buddy matching tools allow us to attract a large number of gamers to play together and have fun on *TT Chat*. We offer a variety of proprietary matching tools and constantly iterate our matching mechanism to improve the accuracy and efficiency of personalized game buddy matching. To build a more interactive gameplay experience for the fans of popular games, we tailor our matching criteria and mechanism for specific games such as *Honor of Kings* (王者榮耀), *Game for Peace* (和平精英), *League of Legends Mobile* (英雄聯盟手遊), *Minecraft* (我的世界) and *Genshin Impact* (原神).

Some examples of our key matching features and functions are set forth below.

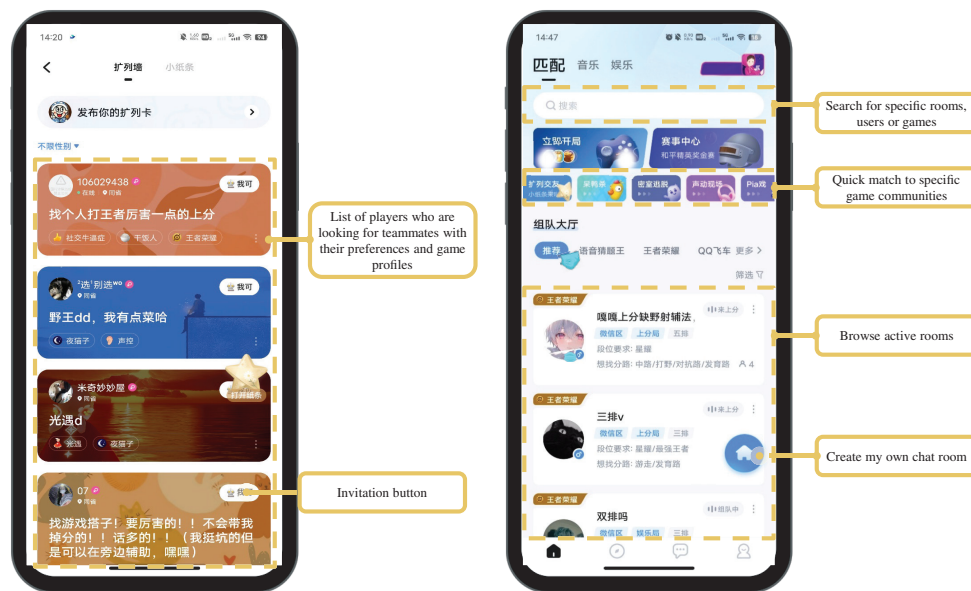
- *Find a Teammate*. A user may scroll down a profile list of other users who are looking for teammates and select one of them as he or she sees fit to send an invitation. If the one he or she chooses accepts that invitation, the two are matched successfully. The profile list is tailored according to the user’s preferences by our algorithms, based on the descriptive tags, playing records and other relevant user information. He or she may also take advantage of our *Teammate Recommendation* feature which will display a pop-up window to recommend a user whom our algorithms determine to be a suitable teammate.
- *Quick Match*. This function lists more than a dozen popular games, such as *Honor of Kings*, *Game for Peace* and *Minecraft*, where a user may select a game he or she wants to play and allow the system to quickly match him or her with other users who have similar preferences and are available to team up. This function is specifically designed for users who crave a spontaneous game and look for teammates who can join on short notice.

BUSINESS OF THE TARGET GROUP

- *Create a Chat Room.* Users may create a chat room where they can set up the game type, room names and game level preferences. The room host may post the room information on the platform so users who meet the requirements can join the room and play together. This function is specially designed for users with clear preferences regarding who they want to play a game with, such as players who are looking for more experienced teammates.
- *Smart Search Functions.* We also provide our users the option to search for a specific room or teammate with our AI-empowered search functions. They can search via our pre-designated filters, such as which game to play and the length of playing time. They can also use our general search function to find buddies based on user IDs, nicknames, voice chat room names or numbers.

Set forth below are screenshots of these matching features and functions.

Game buddy matching



As the matching process effortlessly unfolds, our system seamlessly groups each of the matched gamers into a voice chat room on *TT Chat* where they can start chatting and interacting with each other, team up in the selected game app, and start playing the game right after a team is fully assembled there. Our matching mechanism can also help our users find new friends with whom they are likely to establish rapport and then create a voice chat room for casual social interactions.

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Interactive Features and Functions Around Voice Chatrooms

Our voice chatrooms provide a virtual social environment for our users to gather and interact with each other in an immersive group setting. User interactions in our voice chatrooms are usually driven by their common interests, such as enthusiasm for games, music, anime or literature, and a strong desire for self-expression. Our interactive features and functions are generally offered to all of our users free of charge; however, we started to offer membership subscriptions to our users in July 2021. Users who pay a subscription fee for our membership packages gain exclusive access to a variety of newly designed special virtual items and features to enhance their experiences.

Some examples of the key features and functions of our voice chatrooms are set forth below.

- *Voice Chats.* Each voice chat room provides nine microphone positions that allow up to nine users to speak at the same time and enable audiences in the same chat room to listen. This function can run in parallel when the user switches to another app or puts the phone away. Users can communicate with emotional expressions through voice chats while playing games on another app, reading an article on a news app or engaging in offline activities. They can also talk casually or engage in other entertainment activities with the help of our fun voice-based chatting functions. Voice chats create a delightful and relaxing social experience for everyone within and beyond the gaming context.
- *Virtual Gifting.* As part of user interactions in a voice chat room, each user can purchase virtual items using our virtual currency TT beans. See “– Our Monetization” for more details. Users can choose from a varied selection of virtual items, such as virtual flowers, birthday cakes and jewelry, and send them as gifts to any other user, a group of users or a host in the voice chat room. We frequently release trendy virtual items to add more fun to the gifting process. Gifts are sent by users as a gesture of friendship, admiration or support, and to gain peer recognition. In the six months ended June 30, 2023, approximately 2.1 million users had sent virtual gifts to others, and approximately 2.8 million users had received gifts from others. The large number of users who had received and sent gifts demonstrates the multi-way interactions that we believe are unique to our decentralized approach to engage with our user community. The gift-exchanging process enhances the users’ sense of participation and sense of belonging and allows them to express themselves in their virtual social interactions on our platform.
- *Other Interactive Functions.* In our voice chatrooms designed to cater to users’ preferred ways of communications, users can also interact with each other through bullet comments, emojis and pictures. Supplementing the voice chats, these interactive functions allow for more diversified interactive formats and more users to engage in the room activities at the same time.

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- **Gameplay Facilitation.** We design various functions of our voice chatrooms for gamers, especially for Esports gamers, to deliver an interactive, immersive and fun gameplay experience. For example, when some of the teammates leave the chat room unexpectedly during the course of gameplay, our system can instantaneously identify and add a new gamer into the chat room to ensure an uninterrupted gameplay experience. Our users are also able to quickly gather their teammates from previous game matches. In addition, our voice chatrooms feature an expanding collection of “battle songs” – exciting background music that creates spirited vibes for our gamers.

Set forth below are screenshots of these voice chat room features and functions.

Chat room – gaming



The interactive social experiences on *TT Chat* also go beyond the voice chatrooms. We offer other interactive features and functions to provide our users with a multifaceted socializing experience. Some key features and functions are set forth below.

- **Following.** Users can add other users as “friends” on our platform and create groups of friends. By following a friend, users can exchange instant text messages, view the activities and postings uploaded by that user and comment or interact further.
- **Messaging.** Users may send text, graph or voice messages to other friends or in friend groups. By taking the conversations into more private settings, friends can engage in deeper communications to bond further.

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- *Moments.* Moments is essentially a mini-blog feature on *TT Chat*, including texts, pictures, or short video clips posted by users. Users can see updates of their friends’ moments. Our platform also recommends other users’ moments based on user profiling. We have embedded interactive features in moments as well. When a user finds a moment interesting, he can like it, comment on it or share it with others both within and outside *TT Chat*.

Set forth below are screenshots of these interactive functions.

IM and moments



Users who pay a subscription fee for our membership packages gain exclusive access to special virtual identification, a variety of newly designed emoji packs, chat backgrounds, voice room virtual decorations and other virtual items. They are also able to see who has visited their virtual spaces, send special messages to specific users, set special alert sounds for specific users, and enjoy other entertainment features to enhance their experiences.

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Diverse Social Entertainment Offerings

To stimulate interactions and strengthen the bonds created among our users, we offer a diversified portfolio of voice-based interactive entertainment scenarios to enrich user experience and drive user spending on *TT Chat*. Our diverse social entertainment offerings are provided free of charge to all of our users.

Voice-based social entertainment scenarios

In a voice-based social entertainment room, a host can drive the discussion, solicit social interactions among users and create an engaging atmosphere to enhance user experiences and encourage virtual gifting. Some examples of our social entertainment scenarios are as follows.

- *Online Dating*. Our users can group in a chat room to meet other users for online dating or to stream a live matchmaking show as a bystander.
- *Online Karaoke*. Users may initiate a karaoke night with their game buddies on our platform to celebrate after several well-played rounds of games or when they simply feel like singing with friends.
- *Role-play Dubbing*. Our users may also want to try role-play dubbing with same-minded people after a stressful day.
- *Audio Streaming*. We have offered audio streaming rooms since 2020 where a host broadcasts audio entertainment content to a large audience of users and establishes emotional connections with users. Our diverse live streaming content as well as live streaming interactive features have been effective in increasing user engagement in live streams. For example, we introduced the “PK” feature which enables one host to compete against another in terms of fan support. Two hosts show their talent to users in their respective room in a variety of ways such as singing and telling stories in a limited time. The host who receives more virtual items from the users during such period wins the PK.

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Set forth below are screenshots of an audio streaming room and music and online karaoke, demonstrating these social entertainment scenarios.

Social entertainment offerings



Music and Online Karaoke



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Hosts and guilds on our platform

We create a virtual stage for every user to showcase his or her talent and personality. As our users become more engaged on our platform, we encourage them to become a host on our platform to make more friends and drive interactions among more users. Along with an increasing number of voice-based social entertainment scenarios and the fast growth of audio entertainment service on *TT Chat*, the number of hosts on *TT Chat* as of June 30, 2023 reached over 442,500, and the number of guilds reached 210 as of the same date. A host typically shares 50% of the proceeds of the virtual gifts that he or she receives on our platform. See “– Our Monetization” for more details on our revenue sharing with hosts. Our hosts are bound by our community guidelines and our standard terms of service. In addition to revenue sharing arrangements, the community guidelines and standard terms of services set forth certain policies for hosts, such as pre-assessment, audio streaming quality and content management. For hosts who violate these policies, we may take disciplinary actions such as issuing warnings, suspending the user from hosting and suspending or closing down the user’s account, as well as penalties to the guilds, depending on the severity and frequency of the misconducts. We also employ a blacklist management system to prohibit hosts who are on the blacklist from registering another account on our platform.

We engage with our hosts under two distinct models in accordance with the following summary of the key contractual terms.

- *Direct contracts.* Under this model, we directly contract with certain hosts to broadcast entertainment content mainly in audio streaming rooms to fulfill our users’ diversified demand for professionally generated audio entertainment contents. These hosts typically share 50% of the proceeds from the virtual items he or she receives. The contract with such hosts typically includes terms regarding revenue sharing arrangements, minimum broadcasting time requirements, compliance policy regarding streaming content, our intellectual property ownership regarding streaming content, user privacy and data use, confidentiality and non-solicitation obligations, among others. We incentivize our hosts by granting them extra awards based on our assessment of their performances, including their broadcast length and the amount of virtual gifts that they receive. The hosts we directly contract with are usually affiliated with guilds.
- *Cooperation with guilds.* As some hosts gain more popularity on our platform, they tend to join a guild to operate on a more professional basis on our platform. Each guild is led by a representative who sets up the guild and the representative cannot be changed. To manage such guilds and enhance their service standards, we enter into agreements with these guilds’ representatives, which contain our service terms and revenue-sharing arrangements. Our agreements with guild representatives set forth certain standard terms in relation to our collaboration with guilds and guild representatives, including the establishment, operations, management and dissolution of guilds, revenue sharing arrangements and methods of payments. Under our agreement with a guild, the guild is responsible for setting up and

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managing certain chatrooms to increase their attractiveness to the users and maintain good order and compliance with our policies. In addition, such agreements generally include non-compete terms to prevent the guilds from inducing our hosts to join competing platforms. The guild shares 10% to 15% of the proceeds from all virtual item consumptions in these chatrooms. A guild is also responsible for recruiting, training, supporting and promoting their hosts on our platform. A host may enter into an agreement with the affiliated guild to share an agreed-upon portion of the proceeds the guild obtains from virtual item consumption in the chat room managed by the guild, which is in addition to the 50% of the proceeds of the virtual gifts that the host typically receives. As an open platform that features diverse social entertainment offerings and welcomes hosts to promote and monetize through social interactions among users, we believe our cooperation with guilds increases our operational efficiency in terms of diversifying our social entertainment scenarios, as well as identifying, supporting and managing hosts in an organized manner.

As a result of our commitment to creating decentralized social experiences, our top five hosts by revenue sharing fees collectively accounted for less than 2% of total revenue sharing fees for guilds and hosts throughout the Track Record Period.

The tables below set forth the top five guilds in terms of revenue sharing fees attributable to them as well as revenue generated from voice chatrooms managed by such guilds for the periods indicated.

For the year ended December 31, 2020

Guilds	Revenue sharing fees (RMB'000)	Percentage of total revenue sharing fees for guilds and hosts ⁽¹⁾	Revenue generated from voice chatrooms managed by such guild (RMB'000)	Year in which business relationship started
Guild A	37,110	9.4%	123,844	2017
Guild B	20,667	5.3%	70,703	2017
Guild C	16,034	4.1%	61,987	2018
Guild D	15,617	4.0%	56,310	2018
Guild E	14,599	3.7%	49,901	2017
Total for Top Five Guilds	104,027	26.5%	362,745	

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For the year ended December 31, 2021

Guilds	Revenue sharing fees (RMB'000)	Percentage of total revenue sharing fees for guilds and hosts ⁽¹⁾	Revenue generated from voice chatrooms managed by such guild (RMB'000)	Year in which business relationship started
Guild A	56,084	6.2%	201,918	2017
Guild B	33,278	3.7%	135,534	2017
Guild E	23,924	2.6%	83,306	2017
Guild C	23,736	2.6%	80,965	2018
Guild F	20,780	2.3%	74,898	2018
Total for Top Five Guilds	157,802	17.4%	576,621	

For the year ended December 31, 2022

Guilds/Hosts	Revenue sharing fees (RMB'000)	Percentage of total revenue sharing fees for guilds and hosts ⁽¹⁾	Revenue generated from voice chatrooms managed by such guild (RMB'000)	Year in which business relationship started
Guild A	53,746	4.2%	196,850	2017
Guild B	39,099	3.0%	169,458	2017
Guild F	35,309	2.7%	125,031	2018
Guild C	34,604	2.7%	120,753	2018
Guild E	28,845	2.2%	106,040	2017
Total for Top Five Guilds	191,603	14.8%	718,132	

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For the six months ended June 30, 2023

Guilds/Hosts	Revenue sharing fees (RMB'000)	Percentage of total revenue sharing fees for guilds and hosts ⁽¹⁾	Revenue generated from voice chatrooms managed by such guild (RMB'000)	Year in which business relationship started
Guild A	24,051	4.0%	90,623	2017
Guild C	19,172	3.2%	66,733	2018
Guild B	19,011	3.1%	77,628	2017
Guild F	17,606	2.9%	66,588	2018
Guild E	13,836	2.3%	52,576	2017
Total for Top Five Guilds	93,676	15.5%	354,148	

Note:

- (1) The revenue sharing fees for guilds and hosts are summed up together since a host may enter into an agreement with the affiliated guild to share an additional agreed-upon portion of the proceeds that the guild obtains from virtual item consumptions in the chatroom managed by such guild, which is in addition to the 50% of the proceeds of the virtual gifts that the host typically receives.

All of our top five guilds in the Track Record Period in terms of revenue sharing fees and their contributions to our platform are talent agencies engaging in managing and promoting hosts on social platforms in China. The percentage of total revenue sharing attributable to the top five guilds of the total revenue sharing fees for guilds and hosts decreased from 26.5% for 2020 to 17.4% for 2021, and further decreased to 14.8% for 2022, primarily because (i) the user activities were less concentrated in the voice chatrooms managed by top guilds, driven by the optimization of *TT Chat* community, and (ii) the revenue sharing fees for hosts increased, primarily due to the increased number of hosts attracted to *TT Chat* for its decentralized community we cultivated. These guilds are all Independent Third Parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest guilds that is required to be disclosed under the Listing Rules. To the Target Company’s best knowledge, none of the top five guilds for each year of the Track Record Period has any other relationship (business, financing, family, management or otherwise) with the Group, including its subsidiaries, shareholders, directors, senior management and their respective close associates.

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In-App Casual Social Games

We develop and offer more than a dozen in-app mini casual social games embedded within our voice chatrooms for users to relax and socialize after gameplay to further enhance user time spent and stickiness. These casual social games are provided free of charge. Users are encouraged to chat with each other while playing casual social games. These games can serve as icebreakers and increase interactions with new friends. In addition, our casual social games rooms are also equipped with the same matching functions as our regular game voice chatrooms. We self-developed some of the casual social games and outsourced the development of some casual social games to third-party game developers for fixed development fees. We own all intellectual property rights related to these games and will not share any earnings related to these casual social games with any third-party game developers. We are solely responsible for operating these casual social games in our voice chatrooms mainly as a tool to drive user interactions and gifting among our users and hosts.

The *Uki* App Social Experiences

On *Uki* app, we connect our users with each other via shared interests. Leveraging our proprietary algorithms, it provides user recommendation tools to allow our users to meet new friends. Matching features and functions include matching through voice chat, matching through quick characteristic quiz and picking one’s favorite voices. The target audience for *Uki* app is distinguished from gaming enthusiasts targeted by *TT Chat*. *Uki* users are also encouraged to join interest-driven groups to find and connect with like-minded users. *Uki* app also consists of rich and fun content generated by Generation Z to explore and experience. The flexibility and the capability of hosting group interactions have unlocked various possibilities, such as music-sharing rooms and culture-themed rooms, among others.

The *Singduck* App (唱鴨) Social Experiences

The *Singduck* app allows our users to enjoy online live performance and musical instruments in a stress-free way and connect with other users who share the same interests. With its focus on music and accumulated user base, *Singduck* complements our portfolio of interest-driven mobile social apps and extends our engagement with Generation Z.

OUR MONETIZATION

Currently, *TT Chat* is offered free of charge and users can set up their own chatrooms for free. In our chatrooms, users can enjoy all of our game buddy matching and other social entertainment offerings for free. Our various interactive features and functions within and beyond chatrooms are also generally offered for free. Users can purchase and consume virtual gifts to engage with other users and hosts.

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As of June 30, 2023, the prices of our virtual items that could be used for both value-added services and audio entertainment services in RMB equivalent terms ranged from RMB0.1 to RMB13,145. The median price of the virtual items offered on *TT Chat* app in 2020, 2021, 2022 and the six months ended June 30, 2023 was RMB100, RMB100, RMB100 and RMB100, respectively. Our diverse selection of lower-priced virtual items makes it easier for users to show appreciation for each other through small gifts and allows users to familiarize themselves with the gifting functions, while higher-priced virtual items are intended to be gifted by users to show greater support and appreciation towards those with whom they have established a more advanced relationship. We also frequently release new virtual items related to popular entertainment events and cultural trends. For risk management purposes, we limit the value of virtual items that can be gifted in one transaction, and we prohibit any users who had been identified as under the age of 18 based on their real name authentication from virtual gifting.

We derive our revenues primarily from the consumption of virtual items on *TT Chat*. Our services can be further categorized in the following two types:

Service types	Parties involved	Entertainment scenarios	Services provided by the platform	Revenue sharing arrangements ⁽¹⁾	Revenue recognition policy ⁽¹⁾
Value-added services	Users only	In multi-user interaction scenarios where users are matched on our platform to team up in games, to chat with other users who share common interests, or to play casual social games in voice chatrooms	Matching features, casual social games, membership privileges (if applicable), as well as interactive features and functions in voice chatrooms such as chatting and virtual gifting between users	Users typically share 50% of the proceeds from the virtual items they receive from other users	The net amounts billed to users after deducting revenue sharing fees paid to other users who receive such virtual gifts are recorded as revenue

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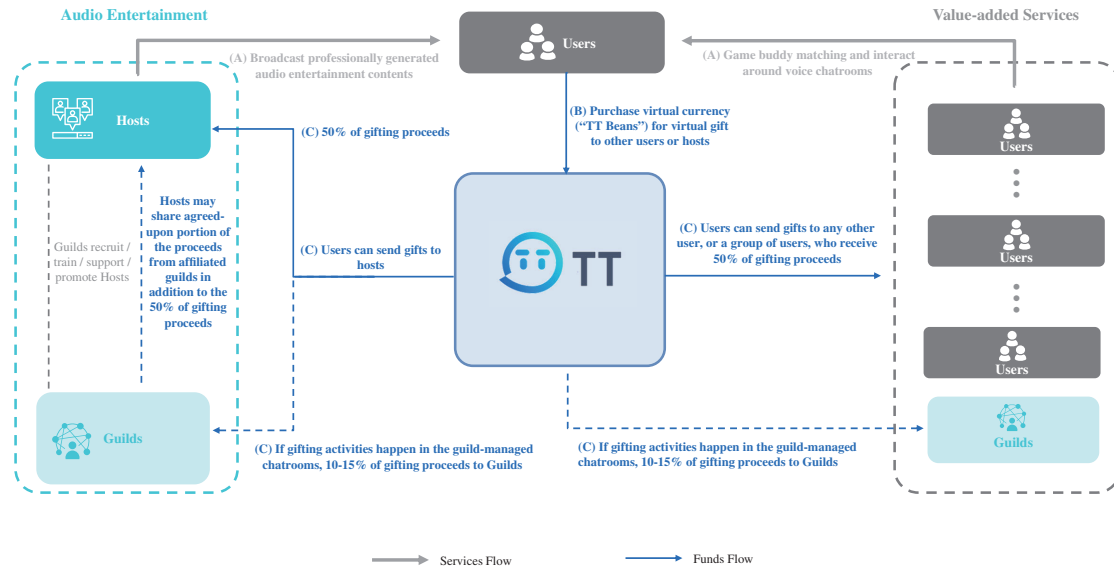
Service types	Parties involved	Entertainment scenarios	Services provided by the platform	Revenue sharing arrangements ⁽¹⁾	Revenue recognition policy ⁽¹⁾
	Users and guilds ⁽²⁾	In multi-user interaction scenarios where users participate in social entertainment activities of their choice in the voice chatrooms, such as online dating, online karaoke and role-play dubbing	Functions tailored to specific voice-based social entertainment activities among users, membership privileges (if applicable), as well as interactive features and functions in voice chatrooms such as chatting and virtual gifting among users and hosts	Guilds share 10% to 15% of the proceeds from all virtual item consumptions in the chatroom they manage, which is in addition to the 50% of the proceeds users typically receive upon receipt of virtual gifts sent by other users	The amounts billed to users are recorded as revenues and revenue sharing fees paid to guilds are recorded as cost of revenues. Where users present virtual items to other users, the related revenue sharing fee paid to the recipients would be recorded as reduction of revenues
Audio-entertainment services	Users, hosts and guilds	In audio streaming scenarios where hosts broadcast audio entertainment content to a large audience of users	Functions tailored to audio streaming by hosts only, membership privileges (if applicable), as well as interactive features and functions in voice chatrooms such as chatting and virtual gifting between users and hosts	Guilds share 10% to 15% of the proceeds from all virtual item consumptions in the chatroom they manage, which is in addition to the 50% of the proceeds hosts and users typically receive upon receipt of virtual gifts sent by other users	The amounts billed to users are recorded as revenues and revenue sharing fees paid to hosts and their respective guilds are recorded as cost of revenues. However, when the virtual items are purchased by the hosts and presented back to the users to show hosts’ appreciation for support, the portion we retain in these transactions are recorded as reduction of cost of revenues. Where users present virtual items to other users, the related revenue sharing fees paid to the recipients would be recorded as reduction of revenues

Notes:

- (1) There was no material change in revenue sharing arrangements among users, guilds, hosts and us during the Track Record Period.
- (2) See “Financial Information of the Target Group – Critical Accounting Policies, Estimates and Judgments – Revenue Recognition” for details.
- (3) For the value-added services, we contract with guilds which are involved in the management of some voice chatrooms, and we usually do not directly contract with and manage the hosts affiliated with these guilds.

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The diagram below sets forth the roles of, the transactions and fund flows among *TT Chat*, hosts, guilds and users.



Note:

- * For the value-added services, we contract with guilds which are involved in the management of some voice chatrooms, and we usually do not directly contract with and manage the hosts affiliated with these guilds.
 - ** For the virtual currency transactions, the virtual items issued by us on *TT Chat* to the users to purchase virtual gifts are not used in online games, which do not constitute the online game virtual currencies under the relevant effective PRC laws and regulations in relation to the online game virtual currency as disclosed in “Regulations – Regulations Related to Virtual Currency”.
- (A) Users come to our *TT Chat* platform to enjoy multi-way interactions among users and with hosts.
- (B) Users purchase virtual currency TT beans (recorded as contract liability when unconsumed), which can be exchanged for virtual gifts.
- (C) As users send virtual gifts to each other or to hosts, revenue is recognized in accordance with our revenue recognition policy. For details, see “Financial Information of the Target Group – Critical Accounting Policies, Estimates and Judgments – Revenue Recognition.” Upon receipt of virtual gifts (which will be converted into virtual token TT points), users can elect to convert them into virtual currency TT beans (which are recorded as accounts payable) or cash.

We started to offer membership subscriptions to our users in July 2021. Users who pay a subscription fee for our membership packages gain access to additional functions and privileges to enhance their experience. Such membership privileges include access to “members only” virtual items such as personalized avatar frames and chatroom wallpapers, accelerated leveling-up that unlocks additional features, enhanced social networking functionalities such as access to viewer insights and the option to browse content in private mode. We set the price for our membership subscriptions based on various factors, such as our marketing strategies, seasonal promotions and our competitors’ pricing, and currently charge approximately RMB9 to RMB12 per user per month, depending on availability of the promotion activities, for our membership subscriptions.

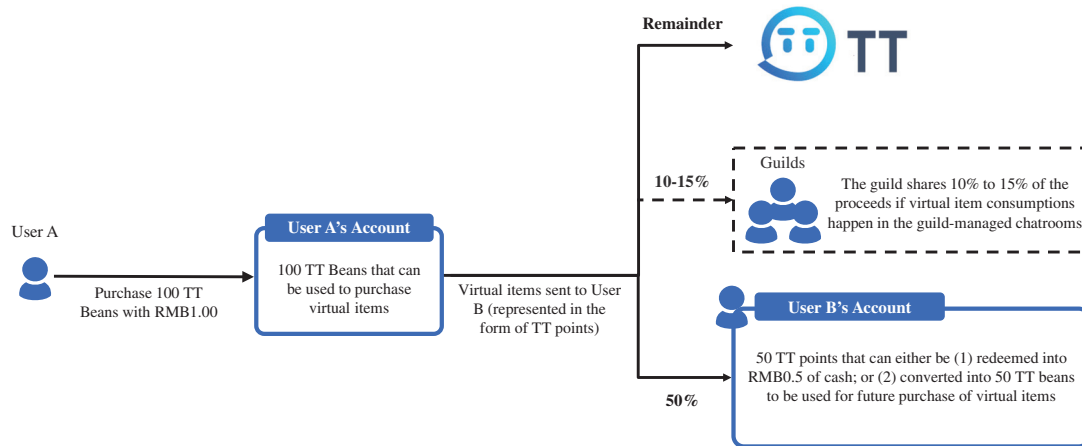
BUSINESS OF THE TARGET GROUP

Our *Uki* app adopts a similar monetization approach as *TT Chat*. It generated revenues primarily through value-added services during the Track Record Period. Users can acquire virtual items such as virtual gifts and avatars through virtual currency offered in the *Uki* app. Users who subscribe to our membership can enjoy various privileges during the membership period. Our *Singduck* app generates revenue primarily through value-added services during the Track Record Period. Users can send virtual gifts to hosts or other users to express appreciation. Users can also subscribe for a membership to enjoy privileges in the online social community during the membership period.

In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we generated RMB1,357.1 million, RMB2,036.0 million, RMB2,542.7 million, RMB1,215.3 million and RMB1,217.9 million from value-added services, respectively, representing 90.9%, 77.4%, 74.7%, 73.2% and 74.8% of our total revenues for the same years or periods.

The exchanges of gifts on our platform are an integral part of the social networking and entertainment experience on our platform. Users can purchase our virtual currency (“TT beans”) via bank transfers and various online third-party payment channels, such as Alipay, WeChat Pay and Apple, at up to a 1:100 exchange rate from RMB to TT beans, subject to fees payable to certain app stores. The TT beans are non-refundable and do not have an expiration date. Such TT beans can be used to purchase virtual gifts to be sent to other users and hosts to show appreciation. Virtual gifts that have been purchased by users are generally not subject to claims of refund by such users. Once a virtual gift is sent by a user, our system will automatically credit a certain amount of virtual tokens (“TT points”) to the user account of the recipient of such virtual gifts. The amount of the TT points credited to a user’s account is currently half of the amount of TT beans used for purchasing the virtual gifts to reflect the revenue sharing arrangement between the user and us, which arrangement is subject to change. At the recipient’s election, he or she can redeem TT points into cash in Renminbi at a 100:1 exchange rate and transfer the corresponding Renminbi amount using third party payment channels such as WeChat Pay or bank wiring, or convert TT points into TT beans at a 1:1 exchange rate, which can be used for future purchase of virtual gifts. These two exchange rates have not been changed since late 2016. A user may choose to convert the TT points into cash on Saturdays and Sundays, provided the TT points held by such user have a total value that equals or exceeds RMB100. After a user initiates the request for cash conversion, it usually takes three to five business days to convert the TT points into cash. For hosts associated with guilds, unless otherwise agreed by the parties, our platform will settle the payments with the guilds at regular intervals based on the agreement with them, who will in turn settle the payments with the hosts they manage. TT beans and TT points can only be spent on our platform and have no monetary value outside of our platform.

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The table below sets forth a breakdown of our total revenues generated by underlying services provided for the periods indicated. We generated substantially all of our revenues from sales of virtual items during the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Sales of virtual items	1,420,753	95.1	2,544,091	96.7	3,308,590	97.2	1,622,133	97.7	1,572,608	96.6
– Value-added services (users-only interaction scenarios)	148,738	10.0	175,687	6.7	199,000	5.8	104,617	6.3	87,441	5.4
– Value-added services (multi-user interaction scenarios in chatrooms managed by guilds)	1,208,394	80.8	1,847,555	70.2	2,305,859	67.8	1,092,884	65.9	1,109,710	68.1
– Audio entertainment services	63,621	4.3	520,849	19.8	803,731	23.6	424,632	25.5	375,457	23.1
Membership subscription	–	–	12,725	0.5	37,808	1.1	17,823	1.1	20,700	1.3
Esports team operation	14,327	1.0	49,826	1.9	34,209	1.0	7,781	0.5	23,797	1.4
Game distribution	58,340	3.9	21,595	0.8	19,525	0.6	10,701	0.6	7,631	0.5
Others	–	–	2,355	0.1	1,858	0.1	1,051	0.1	2,732	0.1
Total Revenue	1,493,420	100.0	2,630,592	100.0	3,401,990	100	1,659,489	100.0	1,627,468	100.0

The virtual items issued by us on our platforms to the users to purchase virtual gifts are not used in online games, which do not constitute online game virtual currencies under the relevant effective PRC laws and regulations in relation to the online game virtual currency as disclosed in “Regulations – Regulations Related to Virtual Currency”, and we believe we do not violate such PRC laws and regulations in all material aspects as of the Latest Practicable Date.

BUSINESS OF THE TARGET GROUP

OTHER COMPLEMENTARY BUSINESSES

We engage in Esports team operation business as part of the broader gamer-based ecosystem around *TT Chat*. Our broadly recognized brand name among game enthusiasts and our large user base on *TT Chat* gives us an advantage in Esports team operation business. Through our Esports team operation business, we believe we are capable of strengthening our reputation and brand impact among gamers. We established our first Esports team in 2019 and have cultivated four professional Esports teams under the brand TT Esports, including our star team, TTG. As of the Latest Practicable Date, these teams have a total of 82 professional athletes and participate in professional league tournaments, such as *Honor of Kings* (王者榮耀) and *League of Legends* (英雄聯盟). TTG won the silver medal during the *King Pro League* (“KPL”) Spring Finals in June 2021. KPL is an Esports professional league of mobile games in China, operated by Tencent. This further enables us to promote *TT Chat* to attract more users as a mobile voice-based, gamer-based social network platform. During the Track Record Period, the revenues we generated from our Esports business primarily included (i) a portion of the winning prizes earned by our Esports teams, (ii) advertising sponsorships, and (iii) the annual revenue split from the official league’s total revenue according to the team participation agreement between the official league and our Esports teams. Based on our agreements with players on the Esports teams, the Esports athletes are entitled to a portion of the prize money and certain performance bonuses that are in line with the industry norm. Prize money is potentially highly volatile as it depends on the size of prize pool set up by the relevant Esports leagues and the performance of the teams and athletes. For the advertising sponsorship revenue, sponsor partners pay a fixed sponsor fee for access to the brand of our Esports teams to promote their services or products, such as referring to our Esports teams and athletes in their marketing content. Our revenue split from the official league’s total revenue is determined based on various factors, such as the gaming performance of our eSports teams as well as total revenue of the official leagues for a given year, which is beyond our knowledge or control. In 2020, 2021 and 2022, our revenue split from official leagues were RMB7.7 million, RMB24.1 million and RMB18.4 million, respectively.

During the Track Record Period, our revenue from game distribution was generated from a small business unit engaging primarily in game distribution, namely TT Wanjia, which is independent and separate from *TT Chat*. In 2020, 2021, 2022 and the six months ended June 30, 2023, our revenues from game distribution represented 3.9%, 0.8%, 0.6% and 0.5% of our total revenues, respectively. In May 2023, we strategically terminated the operation of TT Wanjia to focus more on growing our *TT Chat* platform. Through TT Wanjia, we primarily distributed mobile games developed by third-party game developers, and to a much lesser extent, some self-developed mobile games. Players can download such games, for free, through app stores, short video platforms, search engines and links placed on certain apps we operate. The mobile games that we distributed are operated on a free-to-play basis whereby players can play the games for free and are charged for purchases of in-game virtual items or privileges, which was the primary source of revenue of TT Wanjia. See also “Financial Information of the Target Group – Description of Key Consolidated Income Statements Items – Cost of Revenues.”

BUSINESS OF THE TARGET GROUP

The table below sets forth a breakdown of the revenues generated from complementary businesses by sub-segment for the periods indicated.

	For the year ended						For the six months ended			
	December 31,						June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>										
Esports team operation	14,327	19.7	49,826	67.5	34,209	61.5	7,781	39.8	23,797	69.7
Gaming	58,340	80.3	21,595	29.3	19,525	35.1	10,701	54.8	7,631	22.3
Others	—	—	2,355	3.2	1,858	3.4	1,051	5.4	2,732	8.0
Total revenue from games and others	<u>72,667</u>	<u>100.0</u>	<u>73,776</u>	<u>100.0</u>	<u>55,592</u>	<u>100.0</u>	<u>19,533</u>	<u>100.0</u>	<u>34,160</u>	<u>100.0</u>

The table below sets forth a breakdown of the gross profit and gross profit margin as percentages for complementary businesses by sub-segment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross		Gross		Gross		Gross		Gross	
	Gross	profit	Gross	profit	Gross	profit	Gross	profit	Gross	profit
	profit	/(loss)	profit	/(loss)	profit	/(loss)	profit	/(loss)	profit	/(loss)
<i>(in thousands, except for percentages)</i>										
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
Esports team operation	(14,720)	(102.7)	(13,219)	(26.5)	(43,084)	(125.9)	(30,694)	(394.5)	(17,423)	(73.2)
Gaming	30,586	52.4	11,435	53.0	13,978	71.6	7,241	67.7	5,730	75.1
Others	—	—	362	15.4	159	8.6	446	42.4	730	26.7
Total gross profit/(loss) or gross profit/(loss) margin from games and others	<u>15,866</u>	<u>21.8</u>	<u>(1,422)</u>	<u>(1.9)</u>	<u>(28,947)</u>	<u>(52.1)</u>	<u>(23,007)</u>	<u>(117.8)</u>	<u>(10,963)</u>	<u>(32.1)</u>

For a discussion of the fluctuations in the gross profit margin of our complementary businesses, see “Financial Information of the Target Group – Description of Key Consolidated Income Statements Items – Gross Profit and Gross Profit Margin.”

BUSINESS OF THE TARGET GROUP

OUR TECHNOLOGY AND INFRASTRUCTURE

Our strong technological capabilities support the satisfactory user experience and stable operation of our platform. Our *TT Chat* platform mainly relies on our data analytics and recommendation algorithms, which empowers our matching system and recommend and push system, as well as our audio technology.

- *Data analytics and recommendation algorithms.* Our platform processes a huge amount of users’ data to cultivate and improve our recommendation algorithms so that we provide our users with the optimized matching and recommendation result, which in turn increases user base and user data. In addition, our data analysis capabilities and recommendation algorithms may help us achieve precision marketing in the future. Our data analytics can help identify the users that are most willing to participate in our marketing events and those that are most likely to pay.
- *Audio technology.* Our audio technology can support a maximum of over 100,000 users simultaneously in the same voice chat room without any material transmission delays. While we have developed some key components and infrastructures underlying our audio technology, we also procure technical services from third parties to support the operation of our platform.

Our main IT infrastructure includes Internet data centers (IDC) and content delivery networks (CDN). We lease IDC facilities from major domestic IDC providers. As of the Latest Practicable Date, we own more than 78 servers hosted in three internet data centers across China, which contributed significantly to our smooth streaming experiences and reliable services. In addition, we utilize third-party cloud services to complement our needs for net speed and storage capacity. We believe that our existing facilities are generally adequate in meeting our current needs, but we expect to seek additional space as needed to accommodate future growth.

CONTENT MANAGEMENT AND MONITORING

We are committed to complying with relevant laws and regulations, upholding the integrity of our community and protecting third-party copyrights. We have implemented strict content moderation procedures to identify and remove inappropriate or illegal content, including content that goes against our policies and applicable laws and regulations. We have a dedicated content monitoring team responsible for detecting and preventing the release of inappropriate or illegal content across all content formats on our platform. As of June 30, 2023, we had a team of 256 staff members responsible for content monitoring and customer services, including contractors we engaged by third-party labor outsourcing agencies. We also monitor the content on the platform with the help of third-party vendors. Our platform has the right to shut down any voice chatrooms or suspend users’ accounts.

BUSINESS OF THE TARGET GROUP

Our content monitoring team employs systematic monitoring procedures that include AI-based machine screening and manual review. We have developed a proprietary automated system to facilitate for content screening and monitoring to ensure the integrity of our content and platform. This proprietary system automatically screens text, picture and audio content. Any content that is flagged by our machine screening process must then be reviewed again by our content monitoring team to decide if the content is inappropriate or illegal. Audio streaming on our platform is reviewed simultaneously by our machine screening system and content monitoring team while they are being broadcasted. Any red flags will trigger a second review by our content monitoring team and possible termination of the audio streaming session. Our real-name registration system primarily includes mobile phone number verification and identification card (“ID”) verification. To ensure the effectiveness of our content monitoring efforts, we require users to complete mobile phone number verification before they are allowed to use our services. ID verification and other verification mechanism may be triggered when a user applies to be a host, the accumulated amount of payments made by a user reaches a certain threshold or our system detects other risky scenarios. According to 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 identities of registered users shall be authenticated by the mobile internet application providers based on real identity information such as mobile phone numbers. According to the Administrative Provisions on Internet Live-Streaming Services (《互聯網直播服務管理規定》), the online live-streaming users shall be authenticated by the online live-streaming service providers based on real identity information such as mobile phone numbers, the online live-streaming publishers shall be authenticated by the online live-streaming service providers based on the identity documents, business licenses and organization code certificates, etc. Therefore, the Directors are of the view that the Target Company’s real-name registration system is effective in complying with applicable laws and regulations in all material aspects as of the Latest Practicable Date.

Additionally, users are welcome to report any violations of our terms of service or other inappropriate behavior via the “report” button in *TT Chat*. We analyze multiple factors in order to determine the reliability of and prioritize various reports of inappropriate content, including the history of the reporting user, effective reporting rate and the harmfulness of the content reported. The customer service team will follow each valid report to solve the problem according to our platform policy.

BUSINESS OF THE TARGET GROUP

If our content monitoring team notices any violation by our streamers or viewers, they will take the following actions:

- *For minor violations*, our content monitoring team will give warnings to the violating users, and continue monitoring their actions. If a violating user stops the inappropriate behaviors, he or she may continue using our platform freely; if the violation continues, the user will be temporarily suspended from streaming, uploading video clips or sending messages on our platform, but may continue using our platform as a viewer. The period of the suspension varies from two hours to one year, depending on the seriousness of the violation.
- *For zero-tolerance violations*, such as acts or threats of violence, nudity, use of illegal drugs, or making politically sensitive or inflammatory comments, a violating user will be permanently suspended from accessing our platform, and all the virtual currency and items in the user’s account will be forfeited.

If a user believes that the decision made by our content monitoring team was wrong, he or she can appeal the decision by contacting our customer service team who will direct their cases to the moderation panel of our content monitoring team. The moderation panel will conduct a new round of review, and uphold or reverse the original decision based on the results of their review.

However, there can be no assurance that we can identify all the contents that may violate relevant laws and regulations due to the large amount of content generated by our users every day. To the extent that PRC regulatory authorities find any content displayed on or through our platform objectionable, or that they believe such a risk exists, they may cause us to limit or eliminate the dissemination or availability of such content on our platform or impose penalties, including the revocation of our operating licenses or the suspension or shutdown of our online operations. In addition, the costs of compliance with these regulations may increase as the volume of content and number of users on our platforms increase.

In August 2019, the CAC notified Apple’s and Android’s App Stores to suspend the downloading of our *TT Chat* app, mainly because certain content was, as of such time, considered inappropriate by the relevant governmental authority. During this period, we were required to adopt enhanced measures to improve our content monitoring system and suspend the Moments function. Subsequently, we submitted a report to CAC on the enhanced measures taken by us, including establishing a more comprehensive training mechanism for our content monitoring team, improving our AI-enabled content monitoring technologies and increasing manual monitoring workforce to enhance content monitoring. CAC lifted the suspension on downloading of our *TT Chat* app in late November 2019 after our adoption of the requested enhanced monitoring measures.

BUSINESS OF THE TARGET GROUP

In February 2022, the CAC notified Apple’s and Android’s App Stores to suspend the downloading of our *TT Chat* app, mainly because, among others, *TT Chat* app, was deemed by relevant authorities to possess relatively strong public opinion attributes and social mobilization capabilities and to not have completed and cleared requisite security assessment with relevant authorities. In response to this suspension, we took rectification measures to strengthen our (i) management system construction, (ii) information source management capabilities, (iii) information content moderation and management capabilities, (iv) information release management capabilities, (v) user security management capabilities, (vi) capabilities of monitoring, early warning and responding to emergencies, (vii) capabilities of reviewing audio information, (viii) capabilities of managing instant messages and (ix) capacity-building for automated information screening. Specifically:

1. Improvement of Security Framework

Our platform has implemented a total of 64 security management policies, among which 22 policies were newly adopted or improved as a part of the rectification, including (i) seven newly added content management policies, such as “*Interdepartmental Collaborative Mechanism for Security and Compliance* (關於安全合規線的跨部門協同工作機制)” and “*Review Protocol for Audio Information* (音頻類信息審核制度),” and (ii) 15 improved policies, such as “*TT Chat User Non-Compliance Management Guidelines* (TT語音用戶違規管理總則)” and “*TT Major Emergency Response Plan* (TT重大突發事件應急預案).”

2. Personal Privacy Protection Enhancement

We also enhanced our personal privacy protection as a part of the rectification measures. For example, after a user’s cancellation of his/her account, we introduced a nuanced process for handling personal information as opposed to a blanket deletion of all personal data as previously practiced. Such process involves categorizing personal information in different types and handling with different methods (e.g. delete, archive, etc.) in accordance with relevant laws and regulatory requirements. Additionally, we self-developed a privacy compliance software development kit (SDK) to manage relevant non-compliance incidents and launched the same at the end of 2022. In the first half of 2023, we observed significant reduction of privacy vulnerabilities in our system.

3. Advancement of Security Technologies

As a part of the rectification, we made advancements in our security technologies to improve our platform’s security. For example, we updated our content recognition models, SDK and algorithms to significantly improve the accuracy and speed in content recognition, such as recognition of explicit or adult image content. Additionally, we developed new technology tools, including *ex ante*, *interim* and *ex post* safety management functions, to strengthen our security system’s real-time monitoring and warning capabilities to enable real-time inspection, tracking, and blocking of non-compliance incidents.

BUSINESS OF THE TARGET GROUP

4. Speedy Emergency Response

As a part of the rectification, we have successfully optimized the cooperation and response mechanism for major security incidents among relevant functional departments, including departments of policy, technology and security review. As a result, we have significantly reduced our standard response time for major security incidents.

After the Group performed the foregoing rectification measures and completed and cleared requisite security assessment with relevant authorities, the CAC lifted the suspension on downloading of *TT Chat* app in January 2023. Due to this suspension, the growth of the user base and usage of *TT Chat* app was adversely affected during the suspension period. During the Track Record Period and up to the Latest Practicable Date, our other apps operated by Guangzhou Shabake, one of our Consolidated Affiliated Entities, were not suspended. Our average MAUs decreased from 16.8 million in 2021 to 13.8 million in 2022. Our *TT Chat* app is currently available for download in all major app stores. During the Track Record Period and as of the Latest Practicable Date, no administrative penalties were imposed upon us regarding network security, data security and personal information protection by any relevant authorities. See “Risk Factors – Risks Related to the Target Group’s Business and Industry – *TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may adversely affect our reputation, business, financial condition and results of operations.”

We established a minor version of our *TT Chat* app, where underage users may view minor-friendly contents, their using hours are limited, they are prohibited from virtual gifting, and certain functions are disabled. When a user launches our app for the first time every day, the user can switch to the minor mode according to the pop-up prompt, and the browsing content under the minor mode is presented in whitelist form by our content team. Parents can then set up passcodes under the minor mode to manage the time spent by minors on our platform and to prevent minors from switching back to general mode. In addition to the minor mode which has been implemented on the platform, we have also adopted special content presentation policies and community permission settings for users who choose to open minor mode or whose identities are shown as minors, so as to strictly identify and filter undesirable information for minors. After consultation with the PRC Legal Advisor, we can confirm that the operation of content under the minor mode is compliant with the currently effective PRC laws and regulations in all material aspects as of the Latest Practicable Date.

As a result of our content monitoring efforts, during the Track Record Period and up to the Latest Practicable Date, no fines were imposed on us by government authorities for having inappropriate or illegal content on our platform.

BUSINESS OF THE TARGET GROUP

DATA PRIVACY AND CYBERSECURITY

We have implemented a series of internal policies to regulate data-related operations, including the collection, transmission, storage, sharing, destruction, back-up and recovery of data. Our data security policies comprehensively cover mechanisms for user privacy protection, data classification and access restrictions, user authorization, internal control of data processing, monitoring, emergency responses and management of third parties. For example, our operation back-end system has been designed with an authority-based access system where we require prior superior approval from business and technical department heads for any employee to gain access to download data from the database. We have a comprehensive data back-up plan to guarantee our data security. We save our core data to back-up storage every day on cloud services and preserve it in compliance with applicable laws and regulations.

To keep abreast of recent regulatory developments, we have engaged an experienced external legal advisor to advise us on the new requirements under the recently enacted data protection laws and regulations of the PRC to ensure the integrity and effectiveness of our data protection policies in compliance with all applicable laws and regulations. With the assistance of such special legal advisor, we have adopted enhanced measures to further protect the data security and privacy on our platform.

- For example, we updated our user agreements and privacy policies on our platform to prominently notify users of our names and contact information, the purpose, scope and method of our handling of personal information, and the rights to which users are entitled with their personal information.
- We have formulated a series of internal protocols regarding data privacy and cybersecurity, such as: (i) Policy on Data Security and Personal Information Protection (《數據安全與個人信息保護政策》) that outlines our company-level policies towards data security and personal information protection, (ii) the Administrative Measures on Personal Information Protection (《個人信息保護管理辦法》) and (iii) the Administrative Measures on Data Security (《數據安全管理辦法》) which details the procedures and steps that we require our employees to take in day-to-day work regarding personal information protection and data security, respectively. Furthermore, we have also formulated an Administrative Regulations on Data Security Event Management (《數據安全事件管理規範》) and a Plan of Cyber Security Emergency Response (《網絡安全應急預案》) to strengthen our emergency responses in the event of a cybersecurity incident.
- Additionally, we train new employees on cybersecurity awareness at the beginning of their employment, conduct regular information security training for employees who process data, and take back the physical and logical access of resigned employees in a timely manner.

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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 in the PRC or any overseas market. As a result of these internal control and compliance efforts, as of the Latest Practicable Date, we are in compliance in all material aspects with the currently effective laws and regulations in relation to data security. In addition, we had not been subject to any administrative penalty regarding cybersecurity, data security and privacy protection during the Track Record Period and up to the Latest Practical Date. In light of the evolving regulatory requirements, we will continue to seek advice from experienced counsel on the applicable compliance requirements on a regular basis.

SALES, MARKETING AND BRANDING

We believe that our multifaceted social experience and large user base have led to repeated user visits and a word-of-mouth effect that strengthens awareness of our brand among users. As a supplement to word-of-mouth marketing, we acquire new users through various channels, including leading short video platforms, news feed advertisements, advertisements on app stores and search engine marketing.

We promote our brand recognition and brand image via online advertisements and other marketing approaches. For example, we booked one-off franchise fees for the Honor of Kings Professional League and in the League of Legends Professional League to allow our Esports teams to participate in those high-profile Esports tournaments, which we believe can increase the impact of our brand among gamers, who are our target users, and in the gaming industry in general. From time to time, we collaborate with pop artists and social media influencers to host ad hoc online events to draw the attention of our users and potential users. We intend to increase our investment in branding in the future.

RESEARCH AND DEVELOPMENT

We rely on our continuous investment and strong ability in research and development to enhance our technology and products, thereby attracting and retaining our users. We had a dedicated R&D team consisting of 784 people as of June 30, 2023, a significant portion of whom hold a bachelor’s degree or above. Our R&D personnel are further divided into four functional groups focusing on (i) products optimization, (ii) middle platform development and operation, (iii) technological infrastructure development and (iv) operational and maintenance optimization.

- *Products optimization*: responsible for the research and development of new functions and features on our social platforms in China and overseas to cater to the evolving needs of our users.
- *Middle platform operation and development*: responsible for optimizing functions used cross-platform such as advertising, content monitoring, virtual items, matching algorithm and audio processing algorithm, and leveraging our enhanced data analytics capabilities.

BUSINESS OF THE TARGET GROUP

- *Technological infrastructure*: responsible for the research and development of the platform structure and software management platform for scalability and reliability to support the growth in our user base and to optimize multi-party audio interactions.
- *Operational and maintenance optimization*: responsible for the management and optimization of our cloud computing system, the development of our automatized operation and maintenance platform, and the data security protections to detect, respond to, and resolve network and other malfunction issues.

We have made significant investments into our research and development efforts and technology infrastructure. Our research and development expenses were RMB143.4 million, RMB298.5 million, RMB509.0 million, RMB217.2 million and RMB258.3 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 14.9%, 17.1%, 40.8%, 35.0% and 42.6% of our total operating expenses, respectively, during the same years or periods. Our research and development expenses are primarily related to compensation of those employees engaged in R&D activities, design and development expenses, bandwidth costs and other R&D related expenses.

Our R&D team mainly focuses on the following aspects to improve our IT abilities and better support *TT Chat* platform.

- *Matching and system recommendations*. Our R&D team continuously improves our proprietary algorithms to optimize the efficiency and accuracy of user matching and content recommendations, further enhancing our user experience. We are working on developing more categories of user tags and dimensions to cover a broader range of user preferences in games and beyond. We are also working on creating more categories for content tags. By creating more granular tags and dimensions, we strive to devise smarter processes to match users who are likely to establish connections and introduce users to entertainment scenarios catering to their preferences.
- *Application of AI*. Our R&D team also explores the possibilities to apply our AI technologies to scenarios other than matching and recommendations, such as in marketing and branding activities. We expect these technologies to enable accurate advertising delivery and marketing campaign design to improve operation efficiency. For example, we strive to attract more traffic and improve conversion rates through better understanding of user characteristics, more accurate launch time of advertisements and more effective selection of online marketing channels. These new applications were incubated and optimized, leveraging our data middle platforms with enhanced scalability.

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- *Voice-text transfer.* We are devoted to R&D efforts in advanced voice-text transfer technology to support our user behavior analysis to better understand users’ communication on the platform and improve the overall user experience. Due to technological restraints, our algorithms are not able to analyze the meanings of the voice-based communication happening on our platform. Voice-text transfer technology with higher accuracy and efficiency will enable us to train our algorithms to recognize more patterns of user interaction through analyzing their voice chats. With a better understanding of our users, we plan to make our matching functions more accurate, craft more interactive entertainment scenarios, and increase the efficiency of our content monitoring system.

CUSTOMERS AND CUSTOMER SUPPORT

Our customers primarily consist of paying users on our platform who buy and consume virtual items, membership and other services we offer, Esports operators and third party game developers. Our top five customers accounted for 1%, 2%, 1% and 1% of our total revenues for each of the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023. The customers for value-added services and audio entertainment services are decentralized. Even top customers contribute a very small percentage of revenues. To the best knowledge of our Directors, none of the top five customers in each year/period during the Track Record Period is a connected party of the Target Company.

We had a dedicated customer service team consisting of 64 people as of June 30, 2023 to assist our users. Our users may call our customer service representatives 24/7 or submit inquiries, feedback or complaints to our *TT Chat* assistants at any time. Upon receipt of complaints or inquiries, our customer service representatives will conduct investigations and promptly provide users with explanations and solutions for the issues they report.

SUPPLIERS AND PROCUREMENT

Our suppliers mainly include advertisement agencies, hosts and guilds, and service providers for cloud computing and bandwidth leasing. A vast majority of our hosts are managed by guilds. For those hosts who join a guild, we will enter into a services agreement with the guild to agree upon service terms and revenue sharing arrangement. We are entitled to the intellectual property rights of the content produced by the hosts affiliated with the guild on our platform and share a portion of the revenue with the guild. The guild is usually responsible for training, supporting and promoting its hosts, and makes revenue sharing arrangements with these hosts. We have entered into exclusive cooperation agreements with certain hosts and guilds on our platform. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the revenue sharing fees paid to guilds that had entered into exclusive cooperation agreement with the Group amounted to RMB139.4 million, RMB158.5 million, RMB205.7 million, RMB88.3 million and RMB212.9 million, respectively, and the corresponding revenue generated from voice chatrooms managed by such guilds amounted to RMB335.5 million, RMB500.3 million, RMB679.0 million, RMB295.7 million and RMB796.8 million, accounting for 22.5%, 19.0%, 20.0%, 17.8% and 49.0% of our total revenue, respectively.

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Our top five suppliers in aggregate accounted for approximately 35%, 25%, 14% and 13% of our total purchases in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. Our largest supplier accounted for approximately 16%, 9%, 4% and 3% of our total purchases in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. The percentage of purchases from our top suppliers decreased from 2020 to 2021 primarily because the increase of our total purchase amount, driven by our overall business growth, outpaced the increase of our procurement of advertising services. The percentage of purchases from our top suppliers decreased from 2021 to 2022 primarily because we diversified our supplier mix particularly for advertising services providers, as a part of our optimization of sales and marketing efforts. All of our five largest suppliers are Independent Third Parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers which is required to be disclosed under the Listing Rules. To the best knowledge of our Directors, none of our suppliers during the Track Record Period is a connected person of the Target Company.

The table below sets forth the details of our five largest suppliers in each year/period during the Track Record Period.

Rank	Supplier	Products/services purchased	Length of business relationship	Business scope	Purchase amount consolidated <i>RMB'000</i>	% of total purchases
<i>For the year ended December 31, 2020</i>						
1	Supplier A	Online advertising services	2 years	Online advertising services provider	153,580	16%
2	Supplier B	Online advertising services	2 years	Online advertising services provider	91,600	9%
3	Supplier C	Online advertising services	0.5 year	Online advertising services provider	41,662	4%
4	Supplier D	Hosts management	5 years	Talent agency	37,110	4%
5	Supplier E	Online advertising services	1 year	Online advertising services provider	26,575	3%

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Rank	Supplier	Products/services purchased	Length of business relationship	Business scope	Purchase amount consolidated RMB'000	% of total purchases
<i>For the year ended December 31, 2021</i>						
1	Supplier B	Online advertising services	3 years	Online advertising services provider	175,005	9%
2	Supplier A	Online advertising services	3 years	Online advertising services provider	128,202	7%
3	Supplier F	Online advertising services	1 year	Online advertising services provider	67,242	4%
4	Supplier D	Hosts management	6 years	Talent agency	56,084	3%
5	Supplier G	Online advertising services	1.5 years	Online advertising services provider	55,846	3%
<i>For the year ended December 31, 2022</i>						
1	Supplier B	Online advertising services	4 years	Online advertising services provider	68,016	4%
2	Supplier H	Server/PaaS service	4 years	Cloud services provider	59,754	3%
3	Supplier D	Hosts management	7 years	Talent agency	53,746	3%
4	Supplier I	Hosts management	5 years	Talent agency	39,099	2%
5	Supplier J	Online advertising services	2 years	Online advertising services provider	38,491	2%
<i>For the six months ended June 30, 2023</i>						
1	Supplier K	R&D service	2 years	R&D service provider	25,159	3%
2	Supplier D	Hosts management	7 years	Talent agency	24,051	3%
3	Supplier L	Server/PaaS service	5 years	Cloud services provider	23,515	3%
4	Supplier H	Server/PaaS service	5 years	Cloud services provider	23,121	3%
5	Supplier M	Online advertising services	1 years	Online advertising services provider	22,446	3%

We usually select from at least three candidates for each procurement project exceeding RMB5,000, and select certain key suppliers for procurement exceeding RMB300,000 through bidding processes, to minimize any potential disruption in our operations, maintain sourcing stability, avoid over-reliance and secure competitive prices from suppliers. Our procurement department is responsible for organizing bid evaluation committees to create bid proposals, manage and analyze bid responses together with the procurement department and award the projects to the selected suppliers. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any significant fluctuation in prices set by our major suppliers, material breach of contract on the part of our suppliers or delay in delivery of our orders from our suppliers that had any material adverse impact on our business or results of operations.

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DISTRIBUTION CHANNELS FOR OUR MOBILE APPS

Our *TT Chat* and other complementary mobile apps can be downloaded for free from various application stores, including Apple’s App Store and various Android application stores. We are required to comply with the standard terms and conditions of the various application stores, which primarily include those related to compliance, intellectual property and data privacy and security. Pursuant to Apple’s standard terms and conditions, for all transactions made through it, Apple charges a customary percentage of the transaction amount, while other application stores typically do not charge transaction processing fees. These stores have similar rights to remove our app from their stores if we violate their terms and conditions. See “Risk Factors – Risks Related to the Target Group’s Business and Industry – We rely on our mobile app to provide services to our users which, if inaccessible, may have a material adverse impact on our business, financial condition and results of operations.”

SEASONALITY

Our results of operations are subject to seasonal fluctuations. For example, the growth of active users tends to accelerate during school holidays, such as summer and winter breaks, and slow down at the beginning of certain parts of the school year as students’ access to mobile phones and the internet is affected. For example, in 2021, the average MPU for the second quarter remained stable as the first quarter, whereas the average MPU for the third quarter increased by 32% as compared to that in the second quarter. Overall, the historical seasonal fluctuations of our business have been relatively mild due to the rapid growth we have experienced but may increase further in the future. Seasonality fluctuations have not thus far posed material operational and financial challenges to us, as such periods tend to be brief and predictable, allowing us to reallocate resources and improve efficiency ahead of time.

COMPETITION

We are a leading interest-driven mobile social platform in China. We are the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China in terms of 2022 revenues, according to Frost & Sullivan. We achieved a market share of 13.5% and 20.2% among all mobile voice-based social network platforms and mobile gamer-based social network platforms, respectively, in China in terms of 2022 revenues. We also compete with other platforms offering online entertainment services such as online video platforms, social media platforms and online music platforms for user time spent in general. As one of the few players in this market, we directly compete with other social networking and entertainment platforms for users. Some of our larger competitors have substantially broader service offerings and more working capital to support heavy spending on sales and marketing. For more information on the competitive landscape of our industry, see “Industry Overview of the Target Group – Evolving Mobile Social Networking Industry In China – Competitive Landscape of Mobile Voice-based Social Network Platforms” and “Industry Overview of the Target Group – Evolving Mobile Social Networking Industry In China – Competitive Landscape of Mobile Gamer-based Social Network Platforms.” We

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believe that our ability to compete effectively for users depends on many factors including user experience on our platform, creation of a vibrant community atmosphere, our marketing efforts and the reputation of our brands.

In addition, as our business continues to grow, we face significant competition for highly skilled personnel, including management, engineers, product managers and sales and marketing personnel. The success of our growth strategy depends in part on our ability to retain our existing personnel and recruit additional highly skilled employees.

INTELLECTUAL PROPERTIES

Our Intellectual Properties

We seek to protect our intellectual property rights through a combination of patents, trademarks, copyrights, trade secrets, confidentiality agreements and non-compete agreements. As of the Latest Practicable Date, we had registered over 60 patents, over 430 software and other copyrights, over 770 trademarks and over 40 registered domain names in China. In addition, we had submitted applications for over 180 patents and had registered over 30 trademarks and five domain names overseas as of the Latest Practicable Date.

Our Intellectual Properties Protection

We generally require our employees, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation and other proprietary information. Although we rely on intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new modules, features and functionality, and frequent enhancements to our applications are essential to establishing and maintaining our technology leadership position.

Our platform primarily comprises user generated content. We are committed to copyright protection. We take various measures to ensure content offered on or uploaded to our apps does not infringe upon the copyrights of third parties. According to a “safe harbor” provided by relevant PRC laws, we are required to take necessary actions to take down the relevant content uploaded by a user promptly after receiving a complaint regarding copyright infringement accompanied with the evidence required under relevant PRC laws. We have set up a reporting and rights protection function in our *TT Chat* app through which users can report content uploaded on our platform in violation of copyrights. We have dedicated personnel to review and process any such reports and remove violating content when necessary. Once repeated violations on the part of a user have been determined, we may suspend or terminate such user’s account.

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We also seek contractual protection from the agreements between us and users. For example, we require that our users not publish any content that would infringe on a third-party’s copyrights in our user agreement, and we may delete such content or suspend the user’s account without providing any reasons or prior notices if we identify any such infringement.

During the Track Record Period and up to the Latest Practicable Date, no material claims or disputes were brought against us in relation to any infringement of trademarks, copyrights or other intellectual property.

EMPLOYEES

Our ability to recruit and retain qualified employees is critical to our continued success. We invest heavily in our training and leadership development programs to encourage the development and promotion of our employees. Substantially all of our employees were based in our offices in China as of June 30, 2023.

We had 1,257 full-time employees as of June 30, 2023. The following table sets forth the breakdown of our full-time employees by function as of such date.

Function	Number of Full-time Employees	Percentage (%)
Research and development	784	62
Sales and customer services	69	5
Administrative and management	147	12
Operations	257	21
Total	1,257	100

In addition to our full-time employees, we also procure services of individuals employed by third-party labor outsourcing agencies to support our content monitoring and other business functions. The third-party service providers are responsible for making contributions to these individuals’ social insurance and housing provident funds.

We enter into standard employment contracts with our full-time employees. In addition to salaries and benefits, we provide performance-based bonuses for our full-time employees.

Under PRC law, we participate in various employee social security plans that are organized by municipal and provincial governments for our PRC-based full-time employees, including pension insurance, unemployment insurance, work-related injury insurance, medical insurance and housing fund. We are required under PRC law to contribute from time to time

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to employee benefit plans for our PRC-based full-time employees at specified percentages of the salaries, bonuses and certain allowances of such employees, up to a maximum amount specified by the local governments in China.

We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes in the past. None of our employees are represented by labor unions.

INSURANCE

We believe we maintain insurance policies covering risks in line with industry standards. Except for the property insurance policies covering one of our office buildings, we do not maintain any liability insurance or property insurance policies covering our equipment and facilities for losses due to fire, earthquake or any other disaster. Consistent with customary industry practice in China, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. See “Risk Factors – Risks Related to the Target Group’s Business and Industry – We have limited business insurance coverage, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse impact on our results of operations and financial condition.”

IMPACT OF COVID-19 ON OUR OPERATIONS

The COVID-19 pandemic had positive impact on our business operation and financial performance during the Track Record Period, which was overall not significant. The fact that people spent more time at home during the COVID-19 pandemic in early 2020 had contributed to the growth of our MAUs and paying users in early 2020, although it is difficult to quantify the level of such contributions during such period.

We or our Directors, however, cannot assure you that our historical growth momentum as well as the positive impact brought by the COVID-19 pandemic will continue as the COVID-19 pandemic has been largely contained in China. People may spend less time at home or using mobile apps and more time on outdoor activities going forward due to the availability of effective vaccines, more travel and public gatherings. However, we endeavor to continue to offer satisfactory user experience and provide increasingly diversified social entertainment scenarios on our platform to improve our average MAUs, average MPUs and the paying ratio. See “Risk Factors – Risks Related to the Target Group’s Business and Industry – Our business and financial condition was affected by the COVID-19 pandemic.”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We believe that our continued growth rests on integrating social values into our business. We acknowledge our responsibilities on environmental protection and social responsibilities. We are committed to complying with environmental, social and governance (“ESG”) reporting requirements upon the Listing.

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Governance on ESG Matters

Our Board has the overall responsibility for (i) overseeing and determining the actual and potential impact of environmental, social and climate-related issues and opportunities on our business, strategy and financial performance by taking into consideration any metrics and targets in accordance with applicable laws, regulations and industry standards and best practices, (ii) establishing and adopting our ESG policies, strategies and targets and (iii) reviewing our performance against ESG-related targets and updating the ESG policies and strategies as appropriate if significant variance from the target is identified. We [have] also established an ESG Committee, of which the primary duties are to formulate and review our ESG responsibilities, vision, strategy, framework, principles, policies, risk and to monitor the implementation of the ESG policies adopted by the Board to oversee and guide our ESG initiatives and to make recommendations to the Board. See “Directors and Senior Management of the Successor Company – Corporate Governance – ESG Committee.” Our management team is generally responsible for carrying out the ESG policies during our business operations.

Environmental Protection

Given the nature of our business, we do not operate any production facilities or otherwise impose any material threats to the environment. Therefore, we are not subject to any significant environmental or climate-related risks. We have identified potential risks from climate change and other environmental issues that may impose financial implications on us. For example, if we suffer from extreme weather conditions, our assets may encounter direct damage. In addition, future regulatory and policy changes may lead us to incur additional costs which may have an adverse impact on our financial performance. We have made significant efforts to mitigate such risks, such as energy saving, carbon reduction and waste sorting. As advised by our PRC Legal Advisor, we are not required to obtain any approvals or certificates for the principal businesses we engage in that are applicable to the environmental laws and regulations in the PRC. The compliance cost related to environmental matters and climate change was immaterial during the Track Record Period, and we do not expect such cost to be material in the short term.

We oversee our environmental protection performance in aspects such as the use of electricity and water. During the Track Record Period, our costs of electricity and water consumption were RMB1.3 million, RMB2.2 million, RMB1.9 million, RMB0.7 million and RMB0.9 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. We are dedicated to enhancing the efficiency of electricity and water consumption to fulfill our environmental responsibilities.

We also make environmental protection an important part in employee training and development, and will continue to raise the awareness of energy conservation and environmental protection across our workforce in order to achieve a green, healthy and sustainable development.

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Social Responsibility

We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees. For example, we operate most of our businesses digitally and utilize cloud-based services to reduce the consumption of paper. We also implement waste sorting measures in our office spaces to reduce our negative impact on the environment.

With regard to our health policy, we believe that having a balanced lifestyle is crucial to achieving a good mindset at work. Therefore, we encourage employees to maintain good mental and physical health by participating in sports and recreational activities. With respect to our safety policy, we require all employees to follow our safety rules and receive safety training.

Specifically, we have taken systematic measures to relieve COVID-19. For example, we distributed a large amount of preventive materials, such as masks, to our employees. We also established certain policies regarding safe distance, quarantine, self-monitoring and reporting systems subject to the overall situation of COVID-19.

We are committed to contributing to the well-being of the communities and society through:

- *Caring for minors in underdeveloped areas:* To date, we have sponsored the launch of over 40 TT Chat Happy Book Clubs in the underdeveloped areas in China which serve as touchpoints for our charity efforts to care for minors. Through this network of book clubs, we have developed online coding lessons, provided lectures, conducted offline charity events and delivered donations together with other internet companies. For example, in August 2021, we joined forces with the Guangdong Internet Industry Association to hold a series of events to promote internet safety awareness for minors through selected book clubs. These events included, among others, giving lectures on topics on youth internet safety and producing educational videos. The players on our Esports team were also involved in similar events to improve minor welfare.
- *Donation and post-disaster reconstruction for the Henan flooding:* In July 2021, Henan province suffered substantial damages from a major flooding disaster. We voluntarily donated RMB2 million to the Zhengzhou Charity Federation for disaster relief and post-disaster reconstruction in Henan. We also mobilized our employees, hosts and guilds on our platform to make voluntary donations to the city of Zhengzhou. In October 2021, we sponsored the launch of a TT Chat Happy Book Club in Xinxiang, Henan, a city that suffered severe losses in the flood. The project provided new desks, chairs, bookcases, 1,000 books and three computers to local students to improve their knowledge and care for their mental health.

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- Diversified charity efforts:* We leverage a broad array of channels to promote the well-being of society through scholarship, poverty alleviation, and surgery sponsorship, among others. In June 2021, we set up a TT Chat scholarship in Alshan, Inner Mongolia to support underprivileged students who cannot afford their college tuition. In the same month, we made donations to support rural revitalization and purchased local produce to alleviate the sales difficulties of local farmers. We also participated for two consecutive years in a charity event to sponsor the cataract surgeries of patients who cannot afford them.

Our ESG Material Issues, Targets and Policies

Our Board identifies and prioritizes the ESG material issues by (i) identifying potential material issues by interviewing staff in our core departments and performing wider stakeholder surveys, and (ii) form a matrix of material issues with priorities. In identifying and prioritizing the ESG material issues, we benchmark against our industry peers, take into account the focus of investors, mass media and other factors, and analyze the aforesaid surveys with different groups of stakeholders.

Our Board has overall responsibility for our ESG risk management, and we [have] established an ESG Committee to deepen our strategic efforts. See “– Governance on ESG Matters.” We also assess the ESG risks and perform risk management by adopting various quantifiable metrics. Believing our ESG targets and policies are integral to our business strategies, we set our ESG targets primarily based on our historical performance and overall business prospects. The following table sets forth our primary ESG targets compared against historical figures:

	Historical Performance For the year ended December 31, 2022	Target For the year ending December 31, 2023
Environmental		
Approximate costs of electricity and water consumption (RMB in thousands)	1,900	2,330
Social		
Employee voluntary turnover rate	15%	12%
Recipients of employee training (person-times)	1,490	1,656
Approximate number of participators in TT Chat Happy Book Club (person-times)	145,000	160,000
Governance		
Percentage of employees receiving anti-corruption trainings	100%	100%

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We communicate our ESG targets with our employees and mobilize the resources in the various departments of the Target Company to achieve these targets and to manage the material ESG risks identified. To achieve our targets in energy use: (i) we convey our ESG policies, environmental impact in particular, to our employees to ensure company-wide coordinated efforts in achieving the targets, (ii) we monitor our electricity and water consumption against our targets to adjust our work steps, and (iii) notwithstanding that we do not operate any production facilities or otherwise conduct energy-intensive business in our day-to-day operations, we make efforts centered around our office life, such as reducing air conditioning usage and electronic lighting usage as necessary and appropriate.

We believe that none of the ESG material issues we identified will have any material adverse impact on our results of operations or financial performance. We further believe that achieving our ESG targets would not have any material adverse impact on our operations and financial performance.

Employment

In line with our efforts to be a responsible corporate citizen and to cultivate the well-being of our employee community, we have a workforce with diversity in gender, age and expertise. As of June 30, 2023, approximately 34% of our employees are female; in terms of age, of our employees, approximately 24% aged 25 years or younger, approximately 44% aged between 25 to 30 years old, and approximately 32% aged 30 years or older; expertise-wise, 70% of our employees hold bachelor’s degrees, and 10% of our employees hold master or higher academic degrees.

We honor equal opportunity principles in our recruitment, promotion or dismissal of employees and have zero-tolerance for any discrimination based on ethnicity, age, gender or religious belief.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, work safety, employment or environmental regulations and have not had any incident, or received any claim for personal or property damage made by our employees which has materially and adversely affected our financial condition or business operations.

PROPERTIES

We own one property in Hainan province, China, which comprises a 5-storey office building with a total gross floor space of approximately 3,169 m². The land use rights of the building have been granted to us for a term expiring on January 14, 2050 for business, finance and office use.

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As of the Latest Practicable Date, we leased 33 properties occupying over 19,000 square meters from third parties in China, including our corporate headquarters in Guangzhou and offices in Beijing and Shanghai. The relevant rental agreements provide lease expiration dates ranging from 2023 to 2027. As of the Latest Practicable Date, 21 of our leased properties in China had not been registered with relevant PRC government authorities. For details, see “Risk Factors – Risks Related to the Target Group’s Business and Industry – Our rights to use our leased properties may be defective and could be challenged by property owners or other third parties, which may disrupt our operations and incur relocation costs.”

Pursuant to Rule 5.01A of the Listing Rules, as of December 31, 2022, no single property interest (i) that formed part of our property activities, had a carrying amount representing 1% or more of our total assets; or (ii) that formed part of our non-property activities, had a carrying amount representing 15% or more of our total assets.

On May 30, 2023, we made payment for RMB208.5 million to Guangzhou Municipal Planning and Natural Resources Bureau as a deposit to enter into an auction for the land use right for a piece of land in Guangzhou with a total gross land area of approximately 11,637 square meters. We intend to build our new headquarters office on the land subject to the auction. The total purchase price of the land subject to the auction is RMB1,042.3 million. We won the land auction on June 12, 2023 and entered into a purchase agreement with the transferor on July 3, 2023. We expect to make the payment for the remainder of the total purchase price in installments based on the payment schedule to be finalized in the asset purchase agreement. The transaction is expected to be closed in July 2024. The transferor of the land is Guangzhou Municipal Planning and Natural Resources Bureau, an Independent Third Party. Using our best estimate based on the currently available information, the estimated cost for constructing the new headquarters office may be approximately RMB1.8 billion, and the construction is expected to be completed within three to five years. As of the Latest Practicable Date, the design of the new headquarters is at a preliminary stage, therefore the estimate for costs and timeframe may change significantly over time. We have used and plan to use (i) our cash resources on hand, (ii) our future operating cash flow, and (iii) our future financing activities, such as debt financing, to satisfy our payment obligation for the acquisition of the land and for the construction expenditure of our new headquarters. We do not plan to use the proceeds from this De-SPAC Transaction for such land acquisition or construction of headquarters office.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal Proceedings

As of the Latest Practicable Date, we are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operations. We may, from time to time, become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

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Legal Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole.

Social Insurance and Housing Provident Funds Contributions

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for some of our employees with the relevant social insurance or housing provident funds authorities in the PRC. During the Track Record Period, we recorded provisions of RMB21.5 million in aggregate for potential economic losses that may arise from our failure to make full contributions to social insurance and housing provident funds.

The non-compliance occurred primarily because our officers in charge of the administration of our employee benefit scheme lacked a comprehensive understanding of the PRC laws and regulations, which resulted in an inadvertence in monitoring our compliance status.

Pursuant to PRC laws and regulations, if an employer fails to pay social insurance funds in full, the regulatory authority may order it to make full payment of the outstanding amount within a prescribed time frame, together with a late payment charge at the rate of 0.05% per day from the date on which the funds become due; if payment is not made within the prescribed time frame, the regulatory authority may impose a fine equivalent to one to three times of the overdue amounts. If an employer fails to deposit in full the housing provident funds within the prescribed time frame, it might be ordered by the housing provident funds regulatory authority to deposit the funds within another stipulated time frame; if it fails to deposit the fund within such time frame, the regulatory authority may apply to the people’s court for enforcement.

We have been actively communicating with the competent government authorities and undertake that, in the event that competent government authorities require us to make contributions within a stipulated time period or make supplementary contributions and late payment charges, we will duly comply in a timely manner.

In January 2022, we started to make full contributions of social insurance and housing provident fund for employees in compliance with the relevant PRC laws and regulations. We have taken the following rectification measures to prevent future occurrence of such non-compliance:

Training. Strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds;

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Policy. Formulate and distribute to our employees 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; and

Review and record-keeping. Designate our human resources staff to monitor the payment status and prepare monthly reports of salary and contribution amounts which shall be reviewed by our human resources department head and our finance department head to ensure that we make these payments on time and in accordance with relevant laws and regulations.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) we have obtained confirmations from all of the competent government authorities in municipalities where we have entities with employees as of June 30, 2023, confirming that no administrative penalty was imposed for the underpaid amounts and that we are compliant in contributions of social insurance and housing provident funds since January 2022; (ii) during the Track Record Period and up to the Latest Practicable Date, we were never penalized by the competent government authorities regarding any non-compliance in relation to social insurance and housing provident funds; (iii) we were also not aware of any employee's complaints or demands for payment of social insurance or housing provident fund contributions; (iv) we have been actively communicating with the competent government authorities and undertake that, in the event that competent government authorities require us to make contributions within a stipulated time period or make supplementary contributions and late payment charges, we will duly comply in a timely manner; (v) we started to make full contributions of social insurance and housing provident fund for employees in compliance with the relevant PRC laws and regulations in January 2022; and (vi) as of December 31, 2022, we recorded provisions of RMB21.5 million in aggregate for potential economic losses that may arise from our failure to make full contributions to social insurance and housing provident funds.

Based on the foregoing, our PRC Legal Advisor is of the view that, (i) the likelihood that the competent authorities will penalize us for our underpayment of social insurance and housing provident fund contributions is relatively low as long as we make the outstanding contributions and late payment charges (if any) within a stipulated period upon request from the competent authorities; and (ii) our business operation will not be materially and adversely affected by such non-compliance incident in relation to social insurance and housing provident funds.

Noncompliant Content on TT Chat App

We have received rectification orders from relevant PRC regulators in the past for non-compliant content. For instance, in February 2022, the CAC notified Apple's and Android's App Stores to suspend the downloading of our *TT Chat* app mainly because, among other reasons, *TT Chat* app was deemed by relevant authorities to possess relatively strong public opinion attributes and social mobilization capabilities and to not have completed and cleared requisite security assessment with relevant authorities. In January 2023, the suspension on downloading of our *TT Chat* app was lifted after we performed rectification measures and

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completed and cleared requisite security assessment with relevant authorities. Our *TT Chat* app is currently available for download in all major app stores. During the Track Record Period and as of the Latest Practicable Date, no administrative penalties were imposed upon us regarding network security, data security and personal information protection by any relevant authorities. Due to such temporary suspension, the growth of the user base and usage of *TT Chat* app was adversely affected during these suspension periods. During the Track Record Period and up to the Latest Practicable Date, our other apps operated by Guangzhou Shabake, one of our Consolidated Affiliated Entities, were not suspended. For details, see “Risk Factors – Risks Related to the Target Group’s Business and Industry – *TT Chat* app had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may adversely affect our reputation, business, financial condition and results of operations.”

LICENSES, PERMITS AND REGULATORY APPROVALS

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant regulatory authorities that are material to our operations in China, except as disclosed in “Risk Factors – Risks Related to the Target Group’s Business and Industry – If we fail to obtain or maintain the required regulatory licenses and approvals or if we fail to comply with laws and regulations applicable to our industry, our business, financial condition and results of operations may be materially and adversely affected.”

The following table sets out a list of material licenses and permits held by us as of the Latest Practicable Date. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we were not aware of any material legal impediment to renew such licenses and permits.

License/Permit	Entity Holding the License/Permit	Expiration Date
ICP License	Guangzhou Quwan	February 23, 2026
ICP License	Guangzhou Shabake	April 13, 2026
ICP License	Hainan Yuyue	April 18, 2028
ICP License	Guangzhou Huancheng	March 23, 2026
ICP License	Beijing Quyue	February 3, 2026
ICP License	Shanghai Chenlong	June 15, 2025
ICP License	Shanghai Xiaojianbing	November 9, 2025
ICP License	Chengdu Spherical World	December 2, 2024
ICP License	Xiamen Saimailei	October 18, 2026
ICP License	Chongqing Qudu	October 31, 2027
ICP License	Huayu Tianxia	June 8, 2027
ICP License	Guangzhou Quchuang	June 2, 2028
ICB License	Guangzhou Quwan	July 30, 2024
ICB License	Guangzhou Shabake	February 1, 2025
ICB License	Hainan Yuyue	August 16, 2024

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License/Permit	Entity Holding the License/Permit	Expiration Date
ICB License	Guangzhou Huancheng	June 22, 2026
ICB License	Guangzhou Qujing	November 8, 2026
ICB License	Shanghai Chenlong	April 13, 2026
ICB License	Shanghai Xiaojianbing	September 26, 2026
ICB License	Chengdu Spherical World	December 15, 2025
ICB License	Huayu Tianxia	July 20, 2025
ICB License	Guangzhou Quchuang	March 26, 2026
ICB License	Guangzhou Quzhu	March 26, 2026
ICB License	Chongqing Qudu	March 19, 2026
ICB License	Guangzhou Xinyan	April 1, 2025
Commercial Performance License	Guangzhou Quwan	March 7, 2025
Commercial Performance License	Hainan Yuyue	March 29, 2024
Commercial Performance License	Guangzhou Huancheng	January 23, 2025
AVSP License	Huayu Tianxia	March 15, 2025

RISK MANAGEMENT AND INTERNAL CONTROL

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 we are dedicated to continuously improving these systems. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We have established strict internal reimbursement and financial activities reporting policies. In particular, our financial department has implemented special inspection and verification procedures on invoices, bills, notes and other financial instruments, checking the legitimacy of the original instruments we receive and use. Our finance department also checks whether the amount and time provided on the face of the instruments match the relevant contracts. In addition, we 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.

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Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal, finance and business departments work close together to establish policies and procedures which: (i) perform risk assessments and advise risk management strategies; (ii) improve business process efficiency and monitor internal control effectiveness; and (iii) promote risk awareness throughout the Target Company.

We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team has established policies and procedures to conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. Our legal department works with the relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

Regulatory Compliance and Legal Risk Management

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 rules and procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal department is responsible for reviewing and approving contracts, monitoring updates to and changes in laws and regulations applicable to our business and operations, and providing trainings on relevant laws, regulations, rules and guidelines, tailored to our employees in the business department, to ensure the ongoing compliance of our operations with relevant law.

Investment Risk Management

Our investment department is responsible for investment project sourcing, screening, execution and portfolio management. The department sources investment projects in accordance with our investment strategy and conducts thorough pre-investment due diligence to assess the risks and potential of the investment projects.

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Human Resource Risk Management

We have established internal control policies covering various aspects of human resources management such as recruiting, training, work ethic and legal compliance.

We provide regular trainings to our staff on work ethic, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work. Through these trainings, we ensure their skillset is up-to-date and meets our requirements.

We also require our staff to conform to high ethical standards. We distribute copies of our employee handbook and training slides to all of our employees. These materials contain, among other things, a code of conduct that each employee must comply with and case studies of ethical issues that employees may encounter in their day-to-day work.

We intend to adopt an anti-bribery and corruption policy to safeguard against any corruption within the Target Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We also intend to make our internal reporting channel open and available for our staff to report any bribery and corruption acts. Any reported incidents and personnel will be investigated and appropriate measures will be taken.

Data and Technology System Risk Management

Sufficient maintenance, storage and protection of user data and other related information is critical to our business. We dedicate significant resources to developing and implementing programs designed to protect user privacy, promote a safe environment and ensure the security of user data. The user privacy policy on our platform describes our data use practices and how privacy works on our platform. Specifically, we collect personal information and data from users only with their prior consent, and we provide users with adequate notice as to the data being collected, undertake to manage and use the data collected in accordance with applicable laws and make reasonable efforts to prevent the unauthorized use, loss or leak of user data.

We pay close attention to risk management relating to our information system as sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have designed and adopted strict internal procedures to ensure that our data is protected and that leakage and loss of such data are avoided. For example, we maintain servers that are hosted on cloud servers and implemented a backup system to retain our core transaction data. We have formulated Guidelines on Data Security Classification and Classification (《數據安全分類分級指南》) in accordance with the requirements of the Data Security Law of the PRC (《中華人民共和國數據安全法》), the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), and, in light of our actual operation, the ISO27001 best management practices. The aforesaid guidelines set out the principles, methods and protection measures of data classification and classification, and have adopted measures of mandatory desensitization, anonymization, field-level encryption and

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total data backup for different classification levels to ensure data security. Additionally, we require employees to obtain prior approval to access data, and such approval shall be limited to the extent necessary for performing their duties, and all types of employees’ access and operation behaviors can be recorded and audited.

See also “– Data Privacy and Cybersecurity.”

Anti-money Laundering Risk Management

We have adopted a comprehensive set of risk management measures in relation to anti-money laundering, including the continuous monitoring of customer activities throughout all business transactions to prevent money laundering:

- Our risk management department is responsible for carrying out the anti-money laundering measures, under supervision of the Board;
- We take measures to prevent anti-money laundering based on the risk level that it assessed upon engaging a business partner or customer;
- For business partners or customers of which the risk level is acceptable, we set up an anti-money laundering detection model as well as an alert mechanism for unusual transactions to monitoring potential irregular activities;
- For any business partners or customers that we identify their risk level as unacceptable, the Target Company will implement appropriate measures based on the frequency and severity of their actions, such as warnings, lowering of account limit on the Target Company’s platforms, suspension of services, or termination of relationship (if any);
- We also consistently perform post-engagement and post-transaction review procedures, led by our risk management department, to ensure the effectiveness of the aforementioned protocols and the ongoing compliance of our business transactions; and
- We have established an internal detection system to monitor and report anomalous top-up activities through third-party payment channels. Should there be abnormal fund inflows to our platform due to third-party payment channels’ failure to comply with anti-money laundering obligations, we will conduct screening, issue warnings, conduct investigations, block relevant accounts, and freeze the funds in concern.

During the Track Record Period, we had neither engaged in any money laundering activity to our best knowledge, nor been subject to any lawsuits or arbitration, investigation, criminal or administrative penalties, inquiry, allegation, investigation, enforcement action, warning letter, settlement, or any legal proceedings due to violations of anti-money laundering laws and regulations, and no incident had been identified as money laundering in our platforms.

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Based on the foregoing, and after (i) obtaining our litigation documents and the compliance certificates issued by the government authorities, as well as searching relevant public information, (ii) reviewing our transactions with selected key customers and suppliers and cash flow records of the primary bank accounts during the Track Record Period, including the context of the transactions, corresponding contracts and records of interviews with selected major customers and suppliers, as well as searching relevant public information, and (iii) obtaining our description of the risk management measures in relation to anti-money laundering and reviewing the relevant internal control policies, according to the primary PRC laws and regulations in relation to the anti-money laundering, including, among others, the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) (the “Anti-Money Laundering Law”), the Criminal Law of the PRC (《中華人民共和國刑法》) (the “Criminal Law”) and the Interpretations by the Supreme People’s Court on Several Issues Concerning the Specific Application of Law in the Trial of Money Laundering and Other Criminal Cases (《最高人民法院關於審理洗錢等刑事案件具體應用法律若干問題的解釋》) (the “Interpretations”), our PRC Legal Advisor advised us that the risk that we had engaged in the money laundering activities which could be subject to such crime as stipulated in the Anti-Money Laundering Law and Criminal Law is relatively low during the Track Record Period.

Based on the above, our Directors are of the view that our risk management measures in relation to anti-money laundering are effective.

Intellectual Property Rights Risk Management

We have devoted ourselves to establishing and maintaining intellectual property rights risk management and internal control procedures to protect our intellectual property rights and prevent liabilities resulting from infringement of third-party intellectual property rights. See “– Intellectual Properties.”

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Unless the context otherwise requires, all references in this section to “we,” “us” or “our” refer to Quwan Holding Limited (趣丸集团) (the “Target Company”), its subsidiaries, and Consolidated Affiliated Entities (together, the “Target Group”).

You should read the following discussion and analysis with the audited consolidated financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this circular. Target Group’s consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis may 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 the information provided in this circular, including the sections headed “Risk Factors” and “Business of the Target Group.”

For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to the Target Group’s financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading interest-driven mobile social platform in China. We are the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China in terms of revenues in 2022, according to Frost & Sullivan. With our diversified product features and functions, we encourage social interactions among our users, and through voice-based and other real-time forms of interactions and entertainment offerings, facilitate the creation of social relationships.

We primarily monetize our services through users’ consumption of virtual items sold on *TT Chat* as they interact with other users and hosts. Purchase and consumption scenarios are seamlessly integrated into the social networking and entertainment features and functions on our platform, where users can purchase a diverse selection of virtual items and send them as gifts to other users and hosts.

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The number of our average MPUs increased from 643.9 thousand in 2020 to 965.6 thousand in 2021, and further to 1,000.3 thousand in 2022. The number of our average MPUs decreased from 1,096.0 thousand in the six months ended June 30, 2022 to 897.0 thousand in the same period of 2023.

Unlike other major online streaming and entertainment platforms in China, we do not rely on a limited number of popular hosts to drive consumption of virtual items on our platform. Rather, we strive to foster a user community where users are encouraged to forge relationships with each other that naturally and organically motivate virtual gifting to each other. We built our platform to be interest-driven, decentralized and voice-based to foster social relationships. Our platform attracts users who share similar interests, such as enthusiasm for games. The shared interests offer a universal language that helps establish and deepen interpersonal relationships. We promote a decentralized community, where we provide scenarios that facilitate multi-way interactions among multiple users. Unlike traditional live streaming platforms, these chatrooms are not centered around the live streamed performance of a professional host with massive participants simply being viewers. Rather, multiple users can interact with each other in chatrooms with a more interpersonally connected online social environment through voice, text, virtual gifts, and a variety of other social and entertainment functions offered in our chatrooms, fostering a “decentralized” community. This user community fosters an open environment that gives users a personal cyberspace to express themselves, encouraging them to form relationships built on their shared interests and passion in games and other topics. Our voiced-based platform is appearance-agnostic and is suitable to express varied emotions and establish real-time companionship, bringing strangers closer and fostering interpersonal connections.

We are still in the early stages of monetization but have already achieved rapid growth with our revenues increasing from RMB1,493.4 million in 2020 to RMB2,630.6 million in 2021 and further to RMB3,402.0 million in 2022. Our revenue decreased slightly from RMB1,659.5 million in the six months ended June 30, 2022 to RMB1,627.5 million in the same period of 2023.

BASIS OF PRESENTATION AND PREPARATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“**IFRS Accounting Standards**”). The preparation of the historical financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Target Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountant’s Report included in Appendix I to this circular.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

General Factors

Our business and operating results are affected by general factors affecting China’s mobile social networking and entertainment industries, including:

- China’s overall economic growth;

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- User base and penetration rate of mobile internet and mobile games in China;
- User preferences and overall trends in China’s mobile social networking and entertainment industries;
- Growth and competitive landscape of China’s mobile social networking and entertainment industries;
- Governmental regulations, policies and initiatives affecting China’s mobile social networking, entertainment and internet industries; and
- Seasonality affecting the Generation Z’s leisure time, including school vacations for students.

Unfavorable changes in any of the above industry conditions could negatively affect demand for our services and materially and adversely affect our results of operations.

Specific Factors Affecting Our Results of Operations

Our results of operations, financial condition, and the period to period comparability of our financial results have been, and are expected to continue to be, more directly affected by company-specific factors, including the following major factors:

Our Ability to Enhance User Engagement and Grow User Base

Our ability to enhance user engagement and to grow our user base is critical to our growth and profitability in the long run. We believe that an enhancement of user engagement together with a rapid increase in the size of our user base will lead to revenue growth as their commercial value is realized over time. We have experienced rapid user growth since our inception. Our average MAUs increased by 37.5% from 12.3 million in 2020 to 16.8 million in 2021, primarily as a result of our continuous investment in user experience, game buddy matching technologies, as well as other innovative social entertainment offerings. Our average MAUs decreased by 17.9% from 16.8 million in 2021 to 13.8 million in 2022, primarily driven by (i) the suspension of downloading of our *TT Chat* app from February 2022 to January 2023, see “Business of the Target Group – Content Management and Monitoring,” and (ii) our shift of focus from user acquisitions through advertising and promotion to deepening user connections and enhancing user engagement. Our average MAUs decreased by 15.4% from 14.9 million in the six months ended June 30, 2022 to 12.6 million in the same period in 2023, primarily as a result of our shift of focus from new user acquisition through advertising and promotion channels, to deepening existing user connections and enhancing user engagement.

Our ability to enhance user engagement and to grow our user base depends on, among other things, our ability to improve our user matching capabilities to accurately and efficiently match users with each other in selected games and voice chatrooms, facilitate interpersonal connections among our users, provide users with diverse and attractive social and entertainment offerings, and attract more users through more effective marketing campaigns and increased brand recognition.

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Our Ability to Effectively Enhance Monetization

Our results of operations mainly depend on our ability to monetize our user base by converting nonpaying users into paying users and increasing their willingness to purchase virtual items.

Our revenues are predominantly generated by the consumption of our value-added services and audio entertainment services. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our value-added services and audio entertainment services collectively accounted for 95.1%, 97.2%, 98.4%, 98.8% and 97.9% of our total revenues, respectively, with the remainder contributed by online game revenues and others.

The consumption of these services is primarily driven by the number of paying users. The number of our average MPUs increased from 643.9 thousand in 2020 to 965.6 thousand in 2021, and further to 1,000.3 thousand in 2022. These increases were primarily driven by the expansion of our user base, more interactions among our users and their increased willingness to deepen their relationships through virtual gifting, all of which was driven by the satisfactory user experience we continued to offer, as well as the increasingly diversified social entertainment scenarios offered on our platform. Indeed, our paying ratio increased from 5.3% in 2020 to 5.7% in 2021 and further to 7.2% in 2022, evidencing increased user engagement, enhanced spending habits and improved willingness to pay. From the six months ended June 30, 2022 to the same period of 2023, the number of our average MPUs decreased from 1,096.0 thousand to 897.0 thousand, and our paying ratio decreased from 7.4% to 7.1%, mainly due to our operational efforts focused on increasing individual spending of paying users rather than expanding our paying user base. Indeed, our average monthly revenue per paying user increased from RMB249 in the six months ended June 30, 2022 to RMB296 in the same period of 2023.

Our ability to increase the number of paying users and drive their engagement on our platform depends on, among other things, our ability to actively make our community more vibrant and interactive, our ability to incentivize user spending by introducing more attractive value-added services, such as membership services on our platform, and our ability to enhance interactions among our users in diversified social entertainment scenarios.

Our Ability to Manage Our Costs and Expenses

Our ability to manage and control our costs and expenses is critical to the performance of our business. Our cost of revenues consists primarily of revenue sharing fees, salary and welfare benefits, and other costs related to the operation of the platform. As our platform naturally promotes users' interactions without relying upon a limited number of key hosts, we do not incur significant content acquisition cost, such as costs for acquiring professionally produced copyrighted content.

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Revenue sharing fees represent our payments to recipients of virtual gifts for their services that contribute to more active interactions in relation to our value-added services and audio entertainment services, in accordance with our revenue-sharing arrangement with them. For 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue sharing fees were RMB432.6 million, RMB922.3 million, RMB1,296.6 million, RMB632.1 million and RMB608.9 million, respectively, representing 82.8%, 82.0%, 83.1%, 83.0% and 82.9% of our cost of revenues, respectively. As we continue to enhance our value-added services and audio entertainment services, we expect our revenue sharing fees to continue to increase in the near future.

Our operating expenses consist of research and development expenses, selling and marketing expenses, and administrative expenses. Our selling and marketing expenses, which comprise a majority of our operating expenses, consist primarily of advertising and promotion expenses and employee benefits expenses. For 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our selling and marketing expenses were RMB600.4 million, RMB1,022.9 million, RMB547.8 million, RMB310.8 million and RMB232.7 million, respectively, representing 40.2%, 38.9%, 16.1%, 18.7% and 14.3% of our revenues during such periods, respectively. Such decreases were primarily because we made an effort to strike a balance between our business expansion and operational expenditure by continuing to optimize our sales and marketing activities, focusing on cost-effective and diversified user acquisition channels and utilizing innovative digital marketing tools.

Our Ability to Effectively Invest in Technology

Our technological capabilities and infrastructure, in particular our matching and recommendation algorithm and audio technologies, are critical to the attractiveness of our platform and our long-term success. We are devoted to technological innovation to keep pace with the growth of our business and bring forward new technologies to enhance our user experience and operating efficiency. Our technology infrastructure that supports the operation of our mobile app is also critical to the scalability and stability of our platform. We will continue to upgrade and expand our technology infrastructure to better serve our users and support our business growth.

Research and development expenses comprise a significant part of our cost and expenses. For 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our research and development expenses were RMB143.4 million, RMB298.5 million, RMB509.0 million, RMB217.2 million and RMB258.3 million, respectively, representing 9.6%, 11.3%, 15.0%, 13.1% and 15.9% of our revenues during such periods, respectively. Our research and development expenses are primarily related to compensation to those employees engaged in R&D activities, design and development expenses, bandwidth costs and other R&D related expenses. The increase of our research and development expenses is primarily attributable to the increase of headcounts and compensations of our research and development staff.

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KEY OPERATING METRICS

We regularly review a number of key operating metrics to evaluate our business and measure our performance. The table below sets forth key operating metrics relating to our *TT Chat* platform during each period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
Average MAUs (million)	12.3	16.8	13.8	14.9	12.6
Average MPUs (thousand)	643.9	965.6	1,000.3	1,096.0	897.0
Paying Ratio	5.3%	5.7%	7.2%	7.4%	7.1%
Average monthly revenue per paying user (RMB)	184	221	279	249	296

We monitor our average MAUs to measure the size of active user base and user engagement. Our average MAUs increased by 37.5% from 12.3 million in 2020 to 16.8 million in 2021, primarily as a result of our continuous investment in user acquisitions, user experience, game buddy matching technologies, as well as other innovative social entertainment offerings. Our average MAUs decreased by 17.9% from 16.8 million in 2021 to 13.8 million in 2022, primarily driven by (i) the suspension of downloading of our *TT Chat* app on App Stores from February 2022 to January 2023, see “Business of the Target Group – Content Management and Monitoring,” and (ii) our shift of focus from user acquisitions through advertising and promotion to deepening user connections and enhancing user engagement. Our average MAUs decreased from 14.9 million in the six months ended June 30, 2022 to 12.6 million in the same period of 2023 primarily due to our shift of focus from new user acquisition through advertising and promotion channels, to deepening existing user connections and enhancing user engagement.

We monitor our average MPUs and the paying ratio to measure our ability to monetize our user base. Our average MPUs increased by 50.0% from 643.9 thousand in 2020 to 965.6 thousand in 2021, and further by 3.6% to 1,000.3 thousand in 2022. Our paying ratio increased from 5.3% in 2020 to 5.7% in 2021 and further to 7.2% in 2022. Our monthly average revenue per paying user increased by 20% from RMB184 in 2020 to RMB221 in 2021, and further to RMB279 in 2022. These increases were primarily driven by our shifting priority to diversify social entertainment scenarios in order to cultivate users’ virtual gifting habits and to increase membership subscription. For example, we rolled out features such as Bestie Coupling, enabling users to show off their bestie relationships with other users in the community, which often bring about active interactions and virtual gifting. We also provided additional functions and privileges that enhance user experience for our membership subscribers. In addition to these reasons, the increase of paying ratio from 5.7% in 2021 to 7.2% in 2022 was partially due to the decrease of the average MAUs from 16.8 million in 2021 to 13.8 million in 2022. Due to the foregoing factors, we generally outperformed our peers in the market in terms of user spending during the Track Record Period, according to Frost & Sullivan. Our average MPUs decreased from 1,096.0 thousand in the six months ended June 30, 2022 to 897.0 thousand in the same period of 2023 mainly due to our operational efforts focused on increasing individual spending of paying users rather than expanding our paying user base.

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CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related 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 operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from 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 to these estimates and assumptions in the foreseeable future.

Set forth below are 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. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in further details in Notes 2 and 4 to the Accountant’s Report included in Appendix I to this circular.

Revenue recognition

We adopted IFRS 15, “Revenue from Contracts with Customers” for all periods presented and recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to receive in exchange for those goods or services using the five steps defined under IFRS 15.

(a) *Interactive online platform*

We operate an interactive online platform which enables real time interactions between users and users, or between hosts and users. Revenue recognition treatment under (i) Value-Added Services and (ii) Audio Entertainment depends on whether the content to be delivered in the respective chatrooms is controlled by us or not.

- Where we do not control the content delivered through the chatrooms, we determine that it acts as an agent and reports the corresponding revenues on a net basis. Such treatment applies where we deliver Value Added Services within chatrooms, where such chatrooms are not operated by Guilds and Representatives and control over content is exercised by users.
- Where we control the content delivered through the chatrooms, we determine that it acts as the principal and reports the corresponding revenues on a gross basis. Such treatment applies when we contract with an approved guild (“Guild”) that is operated by a representative (“Representative”) to operate chat rooms and is deemed to have exercised control over the content delivered within such chatrooms.

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The detailed accounting treatment with respect to (i) Value Added Services and (ii) Audio Entertainment under such scenario also differs depending on the parties who are sending and receiving the virtual items:

1. Users send virtual items to hosts: The amounts billed to users are recorded as revenues and revenue sharing fees paid to hosts and their respective guilds are recorded as cost of revenues.
2. Hosts send virtual items to users: When hosts send virtual items back to the users to show the hosts’ appreciation for support, the portion that we retain in such transactions is recorded as reduction of cost of revenues.
3. Users send virtual items to other users: The related revenue sharing fees paid to the recipients would be recorded as reduction of revenues.

(b) Online games revenues

We generate revenues from offering gaming users virtual items within online games developed by us or third parties. The purchased virtual items, including consumable and perpetual items, can be utilized by users in the online games to enhance their game-playing experience. Consumable items represent virtual items that can be consumed by a specific game user within a specified period of time. Perpetual items represent virtual items that are accessible to the game users’ account over the life of the online games. We have a recharge system for game users to purchase game tokens for use. Game users can recharge via various online third-party payment platforms, including WeChat Pay, AliPay and other payment platforms. We consider these payments platforms are its vendors and payment handling charges are recognised as cost of revenues. Game tokens are non-refundable and without expiry. As the game token is often consumed soon after it is purchased based on history of turnover of the game token, we consider it does not expect to be entitled to a breakage amount for the game token.

Measurement of share-based compensation expenses

We granted options to our employees. The fair value of the options is determined by the binomial option pricing model at the grant date and is expected to be expensed over the respective vesting periods. Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by our directors and third-party valuer.

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Estimation of the fair value of financial assets and financial liabilities

The fair value of financial instruments that is not traded in an active market is determined by using valuation techniques. We use our judgment to select a variety of methods and make assumptions including credit risk, volatility and liquidity risks associated with the instruments at the end of each reporting period, which are subject to uncertainty and might materially differ from the actual results. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets.

The convertible redeemable preferred shares and convertible preferred shares issued by us are not traded in an active market, and the respective fair value is determined by using valuation techniques. We have applied the discounted cash flow method to determine the underlying equity value of the Target Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the discount rate, risk-free interest rate, lack of marketability discount and volatility, as well as the probability weight among the timing of the liquidation, redemption or IPO event scenarios are based on our best estimates.

Credit loss allowances for trade receivables, other receivables, amounts due from related parties and other financial assets

The expected credit loss of trade receivables, other receivables, amount due from related parties and other financial assets are based on assumptions about risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to calculate the loss allowances, based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b) to the Accountant’s Report included in Appendix I to this circular.

Estimation of the useful life of intangible assets

We have acquired Esports licenses and contracts, technology, brand and audio video service permission licenses that are expected to enhance its online game and online interaction platform business. We estimate the useful life of the Esport licenses, technology and brand to be ten, seven and five years, respectively, based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer, depending on technological innovations and competitor actions.

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Business combinations

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected lives of assets, the forecasted life cycles and forecasted cash flows over that period. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Estimation of goodwill impairment

We test whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by our directors covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 17 to the Accountant’s Report included in Appendix I to this circular. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The balance of our goodwill consists of approximately RMB44.8 million and RMB15.4 million arising from the acquisition of Uki Holding Limited (“Uki”) and Changya application (“Changya”). For details of acquisition and valuation models adopted in the purchase price allocation exercise, please refer to Notes 4 and 35 of the Accountant’s Report.

We determine the recoverable amount of CGU based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management for recent years with a terminal value related to the future cash flows extrapolated using estimated growth rates. We believe that it is appropriate to cover five years in its cash flow projection according to the budget approved, because it captures the development stage of our businesses during which we expect to experience a high growth rate. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by us. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

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The recoverable amount calculated based on the value-in-use calculation exceeded the carrying amount of Uki by approximately RMB16.7 million, RMB20.8 million and RMB18.8 million as of December 31, 2021 and 2022 and June 30, 2023, respectively. For Changya, the recoverable amount based on the value-in-use calculation exceed the carrying amount by approximately RMB13.7 million and RMB11.2 million as of December 31, 2022 and June 30, 2023, respectively. Our directors performed sensitivity analysis based on the key assumptions and considered reasonable possible changes on the key assumptions would not cause the carrying amount of CGU to exceed its recoverable amount.

If the key assumptions decreased by the the percentages specified in Note 17 to the Accountant’s Reports included in Appendix I to this circular, all considered in isolation, it would remove the headroom. Further details are disclosed in Note 17 to the Accountant’s Report included in Appendix I to this circular.

Contractual arrangements

We conduct a substantial portion of the business through the operating entities in the PRC due to regulatory restrictions on the foreign ownership in our operating entities in the PRC. We do not have any equity interest in the operating entities. The Directors assessed whether or not we have control over the operating entities, has rights to variable returns from its involvement with the operating entities and has the ability to affect those returns through its power over the operating entities. After assessment, the Directors concluded that we have control over the operating entities as a result of the contractual agreements and accordingly the financial position and their operating results of the operating entities are included in our consolidated financial statements throughout the Track Record Period.

Nevertheless, the contractual agreements may not be as effective as direct legal ownership in providing us with direct control over the operating entities and uncertainties presented by the PRC legal system could impede our beneficiary rights of the results, assets and liabilities of the operating entities. Significant judgement is involved in determining whether we are able to control these entities through these contractual arrangements. The Directors, based on the advice of its legal counsel, consider that the contractual agreements among the operating entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

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DESCRIPTION OF KEY CONSOLIDATED INCOME STATEMENTS ITEMS

The table below sets forth our consolidated income statements for the years indicated derived from our consolidated income statements set out in the Accountant’s Report included in Appendix I to this circular:

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Revenues	1,493,420	2,630,592	3,401,990	1,659,489	1,627,468
Cost of revenues ⁽¹⁾	<u>(522,201)</u>	<u>(1,124,798)</u>	<u>(1,559,517)</u>	<u>(761,899)</u>	<u>(734,280)</u>
Gross profit	971,219	1,505,794	1,842,473	897,590	893,188
Selling and marketing expenses ⁽¹⁾	(600,361)	(1,022,880)	(547,847)	(310,756)	(232,680)
Administrative expenses ⁽¹⁾	(215,845)	(426,737)	(189,634)	(92,263)	(116,739)
Research and development expenses ⁽¹⁾	(143,403)	(298,505)	(508,986)	(217,210)	(258,295)
(Net impairment losses)/reversal of impairment losses on financial assets	(6,587)	(5,284)	5,114	7,684	(4,653)
Other gains, net	<u>13,099</u>	<u>34,225</u>	<u>46,958</u>	<u>11,102</u>	<u>63,097</u>
Operating profit/(loss)	18,122	(213,387)	648,078	296,147	343,918
Finance income	8,520	6,917	15,984	4,381	17,535
Finance costs	<u>(4,217)</u>	<u>(5,218)</u>	<u>(5,434)</u>	<u>(2,859)</u>	<u>(2,395)</u>
Finance income, net	4,303	1,699	10,550	1,522	15,140
Share of net losses of associates accounted for using equity method	(831)	(7,464)	(3,887)	(2,008)	(2,752)
Fair value changes on convertible redeemable preferred shares	(53,075)	(1,326,311)	(64,129)	(6,369)	(71,289)
Fair value changes on convertible preferred shares	<u>(109,649)</u>	<u>(939,441)</u>	<u>(12,664)</u>	<u>40,087</u>	<u>(83,424)</u>
(Loss)/profit before income tax	(141,130)	(2,484,904)	577,948	329,379	201,593
Income tax expenses	<u>(12,879)</u>	<u>(10,641)</u>	<u>(68,695)</u>	<u>(39,936)</u>	<u>(20,997)</u>
(Loss)/profit for the year/period	<u>(154,009)</u>	<u>(2,495,545)</u>	<u>509,253</u>	<u>289,443</u>	<u>180,596</u>

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	For the year ended December 31,			For the six months	
	2020	2021	2022	ended June 30,	2022
	(RMB in thousands)			2022	2023
	(unaudited)				
(Loss)/profit for the year/period attributable to:					
Owners of the Target Company	(152,247)	(2,492,162)	511,906	291,068	181,135
Non-controlling interests	(1,762)	(3,383)	(2,653)	(1,625)	(539)
	(154,009)	(2,495,545)	509,253	289,443	180,596
(Loss)/profit for the year/period	(154,009)	(2,495,545)	509,253	289,443	180,596
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences ⁽²⁾	111	4,488	(45,749)	(27,554)	(20,854)
<i>Items that will not be reclassified to profit or loss</i>					
Fair value change on convertible redeemable preferred shares due to own credit risk	3,649	(4,598)	10,239	7,856	(24,526)
Currency translation differences ⁽³⁾	8,603	39,264	(260,255)	(144,261)	(138,197)
	12,363	39,154	(295,765)	(163,959)	(183,577)
Other comprehensive income/(loss) for the year/period, net of taxes	12,363	39,154	(295,765)	(163,959)	(183,577)
Total other comprehensive income/(loss) for the year/period attributable to:					
– Owner of the Target Company	12,363	38,930	(295,107)	(163,419)	(184,998)
– Non-controlling interests	–	224	(658)	(540)	1,421
	12,363	39,154	(295,765)	(163,959)	(183,577)
Total comprehensive (loss)/income for the year/period attributable to:					
– Owners of the Target Company	(139,884)	(2,453,232)	216,799	127,649	(3,863)
– Non-controlling interests	(1,762)	(3,159)	(3,311)	(2,165)	882
	(139,884)	(2,453,232)	216,799	127,649	(3,863)

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Note:

- (1) Total share-based compensation expenses recognised for the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 are allocated as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Share-based compensation expenses					
Cost of revenues	45	3,452	4,007	1,944	1,104
Selling and marketing expenses	172	5,411	5,705	1,233	2,756
Administrative expenses	107,533	130,019	41,740	26,191	40,755
Research and development expenses	472	28,330	15,701	5,354	6,901
	<u>472</u>	<u>28,330</u>	<u>15,701</u>	<u>5,354</u>	<u>6,901</u>
Total	<u>108,222</u>	<u>167,212</u>	<u>67,153</u>	<u>34,722</u>	<u>51,516</u>

- (2) The currency translation differences refer to the translation of foreign operations with a functional currency different from the Target Company’s presentation currency.
- (3) The currency translation differences mainly refer to the Target Company’s translation of convertible preferred shares and convertible redeemable preferred shares denominated in foreign currency.

Non-IFRS Measure

To supplement our consolidated financial statements presented in accordance with IFRSs, we use adjusted net income (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRSs. We believe that adjusted net income (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of adjusted net income (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted net income (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) has limitations as an analytical tool, and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRSs.

Adjusted Net Income (a non-IFRS measure) and Adjusted Net Margin (a non-IFRS measure)

We define adjusted net income (a non-IFRS measure) as (loss)/profit for the year by adding back certain items, including (i) share-based compensation expenses, (ii) fair value changes on convertible redeemable preferred shares, (iii) fair value changes on convertible preferred shares, (iv) listing expenses, and (v) one-off expenses related to group

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reorganization. We exclude these items because they are not expected to result in future cash payments. The following table reconciles our adjusted net income (a non-IFRS measure) presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, namely (loss)/profit for the year. We define adjusted net margin (a non-IFRS measure) as adjusted net income (a non-IFRS measure) as a percentage of revenue for the same year.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands, except for percentages)</i>				
	<i>(unaudited)</i>				
Reconciliation of (loss)/profit for the year/period and adjusted net income (a non-IFRS measure)					
(Loss)/profit for the year/period	(154,009)	(2,495,545)	509,253	289,443	180,596
Add:					
Share-based compensation expenses	108,222	167,212	67,153	34,722	51,516
Fair value changes on convertible redeemable preferred shares	53,075	1,326,311	64,129	6,369	71,289
Fair value changes on convertible preferred shares	109,649	939,441	12,664	(40,087)	83,424
Listing expenses	–	33,636	12,692	–	4,475
Expenses related to group reorganization	34,365	138,546	–	–	–
	151,302	109,601	665,891	290,447	391,300
Adjusted net income (a non-IFRS measure)					
Adjusted net margin (a non-IFRS measure)	10.1%	4.2%	19.6%	17.5%	24.0%

We made adjustments of the above items to (loss)/profit for the years/period presented because our management considers that

- (i) share-based compensation expenses represent primarily non-cash employee benefit expenses incurred in connection with our 2020 Plan. Such expenses in any specific period are not expected to result in future cash payments;
- (ii) fair value changes of convertible redeemable preferred shares and fair value changes of convertible preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares and convertible preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of the convertible redeemable preferred shares or the convertible preferred shares after Listing as preferred shares liabilities will be redesignated and reclassified from liabilities to equity after automatically converting into ordinary shares upon Listing;

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- (iii) listing expenses represent primarily the expenses incurred in connection with the previous listing application. We do not expect to record any future listing expenses after Listing.
- (iv) expenses related to group reorganization represent the deemed compensation paid to Mr. Song Ke and other management of the Target Company on two occasions in 2020 and 2021, respectively, in the form of special dividends declared by Guangzhou Quwan. Mr. Song Ke and other management of the Target Company used a portion of such dividends to repay the outstanding debt in connection with our corporate reorganization. We do not expect to declare special dividends at our subsidiaries or consolidated entities level in the foreseeable future.

Revenues

Every user can open his or her unique voice chat room for free after completing our registration process on *TT Chat*, and display the chat room’s status in different channels. We derive our revenues primarily through:

- **Value-added services**, where our users consume virtual gifts *in multi-user interaction scenarios* to differentiate their virtual characters and develop relationships with each other as well as membership subscriptions; and
- **Audio entertainment services**, where our users send virtual gifts to hosts *in our diverse audio entertainment scenarios hosted by these hosts*. We started to generate revenues from audio entertainment services since its launch on *TT Chat* app in the second half of 2020.

The below table sets forth a comparison of the different types of our services and their respective monetization model.

Service types	Parties involved	Entertainment scenarios	Services provided by the platform	Revenue sharing arrangements ⁽¹⁾	Revenue recognition policy ⁽¹⁾
Value-added services ⁽³⁾	Users only	In multi-user interaction scenarios where users are matched on our platform to team up in games, to chat with other users who share common interests, or to play casual social games in voice chatrooms	Matching features, casual social games, membership privileges (if applicable), as well as interactive features and functions in voice chatrooms such as chatting and virtual gifting between users	Users typically share 50% of the proceeds from the virtual items they receive from other users	The net amounts billed to users after deducting revenue sharing fees paid to other users who receive such virtual gifts are recorded as revenue

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Service types	Parties involved	Entertainment scenarios	Services provided by the platform	Revenue sharing arrangements ⁽¹⁾	Revenue recognition policy ⁽¹⁾
	Users and guilds ⁽²⁾	In multi-user interaction scenarios where users participate in social entertainment activities of their choice in the voice chatrooms, such as online dating, online karaoke and role-play dubbing	Functions tailored to specific voice-based social entertainment activities among users, membership privileges (if applicable), as well as interactive features and functions in voice chatrooms such as chatting and virtual gifting among users and hosts	Guilds share 10% to 15% of the proceeds from all virtual item consumptions in the chatroom they manage, which is in addition to the 50% of the proceeds users typically receive upon receipt of virtual gifts sent by other users	The amounts billed to users are recorded as revenues and revenue sharing fee paid to guilds are recorded as cost of revenues. Where users present virtual items to other users, the related revenue sharing fee paid to the recipients would be recorded as reduction of revenues
Audio-entertainment services	Users, hosts and guilds	In audio streaming scenarios where hosts broadcast audio entertainment content to a large audience of users	Functions tailored to audio streaming by hosts only, membership privileges (if applicable), as well as interactive features and functions in voice chatrooms such as chatting and virtual gifting between users and hosts	Guilds share 10% to 15% of the proceeds from all virtual item consumptions in the chatroom they manage, which is in addition to the 50% of the proceeds hosts and users typically receive upon receipt of virtual gifts sent by other users	The amounts billed to users are recorded as revenues and revenue sharing fees paid to hosts and their respective guilds are recorded as cost of revenues. However, when the virtual items are purchased by the hosts and presented back to the users to show hosts' appreciation for support, the portion we retained in these transactions is recorded as reduction of cost of revenues. Where users present virtual items to other users, the related revenue sharing fees paid to the recipients would be recorded as reduction of revenues

Notes

- (1) There was no material change in revenue sharing arrangements among users, guilds, hosts and us during the Track Record Period.
- (2) See “Financial Information of the Target Group – Critical Accounting Policies, Estimates and Judgments – Revenue Recognition” for more details.
- (3) For the value-added services, we contract with guilds which are involved in the management of some voice chatrooms, and we usually do not directly contract with and manage the hosts affiliated with these guilds.

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In addition, we also generate a small portion of our revenues from games and other services, which primarily included Esports team operations and game distribution. As the small business unit engaging primarily in game distribution is independent from *TT Chat*'s operations, we strategically terminated the operation of this small business unit in May 2023 to focus more on the growth of our *TT Chat* platform and the value-added services and audio entertainment services we offer within such platform.

The table below sets forth a breakdown of our revenue, in absolute amounts and as percentages of total revenue, for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Value-added services	1,357,132	90.9	2,035,967	77.4	2,542,667	74.8	1,215,324	73.2	1,217,851	74.8
Audio entertainment services	63,621	4.3	520,849	19.8	803,731	23.6	424,632	25.6	375,457	23.1
Games and others	72,667	4.8	73,776	2.8	55,592	1.6	19,533	1.2	34,160	2.1
Total	1,493,420	100.0	2,630,592	100.0	3,401,990	100.0	1,659,489	100.0	1,627,468	100.0

The table below sets forth a breakdown of the revenues generated from games and others by sub-segment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Esports team operation	14,327	19.7	49,826	67.5	34,209	61.5	7,781	39.8	23,797	69.7
Gaming	58,340	80.3	21,595	29.3	19,525	35.1	10,701	54.8	7,631	22.3
Others	–	–	2,355	3.2	1,858	3.4	1,051	5.4	2,732	8.0
Total revenue from games and others	72,667	100.0	73,776	100.0	55,592	100.0	19,533	100.0	34,160	100.0

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Cost of Revenues

Our cost of revenues consist primarily of (i) revenue sharing fees; (ii) cloud services costs; (iii) employee benefits expenses; (iv) amortization of intangible assets; and (v) payment handling costs. Revenue sharing fees account for the vast majority of our cost of revenues, representing 82.8%, 82.0%, 83.1%, 83.0% and 82.9% of our cost of revenues in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023.

The table below sets forth a breakdown of our cost of revenues by nature in absolute amounts for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Revenue sharing fees	432,586	82.8	922,324	82.0	1,296,596	83.1	632,143	83.0	608,929	82.9
Cloud services costs	20,499	3.9	52,890	4.7	78,318	5.0	39,646	5.2	35,942	4.9
Employee benefits expenses	21,485	4.1	72,248	6.4	98,153	6.3	48,735	6.4	43,598	5.9
Amortization of intangible assets	19,504	3.8	34,091	3.0	37,024	2.4	18,900	2.5	21,048	2.9
Payment handling costs	20,067	3.9	30,810	2.8	38,399	2.5	18,513	2.4	19,222	2.6
Others	8,060	1.5	12,435	1.1	11,027	0.7	3,962	0.5	5,541	0.8
Total	522,201	100.0	1,124,798	100.0	1,559,517	100.0	761,899	100.0	734,280	100.0

Revenue sharing fees primarily represent our payments to recipients of virtual gifts and guilds in relation to our value-added services and audio entertainment services, in accordance with our revenue-sharing arrangements with them. See “Business of the Target Group – Our Platform – Hosts and Guilds on Our Platform” and “Business of the Target Group – Our Monetization.” The revenue sharing fees are calculated based on a percentage of revenues generated from consumption of virtual items and certain performance based incentives. For 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue sharing fees attributable to value-added services were RMB354.8 million, RMB560.8 million, RMB746.2 million, RMB341.9 million and RMB353.8 million, for 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, accounting for 82.0%, 60.8%, 57.6%, 54.1% and 58.1% of our total revenue sharing fees, respectively. As we launched our audio entertainment services in July 2020, we recorded revenue sharing fees attributable to audio entertainment services of RMB38.5 million, RMB349.8 million, RMB541.4 million, RMB287.8 million and RMB250.9 million, accounting for 8.9%, 37.9%, 41.8%, 45.5% and 41.2% of our total revenue sharing fees, in 2020, 2021, 2022, and the six months ended June 30, 2022 and 2023, respectively. To a much lesser extent, our revenue sharing fees were also attributable to games and others. With respect to game distribution during the Track Record Period, which we operated via a small business unit, namely TT Wanjia, that is independent and separate from *TT Chat*, we view game

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developers as our customers, and consider ourselves to be their agent. Accordingly, we recognize our game distribution revenue on the amount of the payments by the game players net of the amount remitted to third-party game developers. With respect to game distribution arrangements, to the extent applicable, the revenue shared with other distribution channels such as payment channels is included in our cost of revenues. Such cost of revenues typically account for approximately 0.6% to 1.2% of the revenue with other distribution channels. Under some circumstances, we cooperate with some partners for marketing purposes where we pay them subject to their performance which is evaluated based on certain agreed-upon KPIs. When operating self-developed games, to the extent applicable, the revenue shared with distributing channels, game studios, and IP owners is included in our cost of revenues as revenue sharing fee. We usually share approximately 55% of the revenue with distribution channels, approximately 10% to 25% of the revenue with game developers, and primarily a fixed fee ranging from RMB1 million to RMB4 million with IP owners in cases where they granted the right to use their intellectual properties in the development of such games. We strategically discontinued the operations of TT Wanjia in May 2023. Overall, we expect our revenue sharing fees to increase generally in parallel with the expansion of our value-added services and audio entertainment services in the near term.

Gross Profit and Gross Profit Margin

Our gross profit increased by 55.0% from RMB971.2 million in 2020 to RMB1,505.8 million in 2021, and further increased by 22.4% to RMB1,842.5 million in 2022. Our gross profit decreased slightly from RMB897.6 million in the six months ended June 30, 2022 to RMB893.2 million in the same period of 2023. Our gross profit margins were 65.0%, 57.2%, 54.2%, 54.1% and 54.9% in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

Separately, the gross profit margin for games and others decreased from 21.8% in 2020 to negative 1.9% in 2021 and further to negative 52.1% in 2022. Our gross profit margin for games and others increased from negative 117.8% in the six months ended June 30, 2022 to negative 32.1% in the same period in 2023.

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of (i) advertising and promotion expenses and (ii) employee benefits expenses. We plan to continue to optimize our sales and marketing efforts by prioritizing deepening user connections and enhancing user engagements while balancing organic user growth, which we believe will benefit our long-term growth and maximize our monetization potentials.

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The following table sets forth a breakdown of our selling and marketing expenses by nature in absolute amounts for the years indicated:

	For the year ended December 31,						For the six months ended			
	2020		2021		2022		June 30,		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Advertising and promotion expenses	522,017	87.0	855,915	83.7	351,825	64.2	216,421	69.6	149,258	64.1
Employee benefits expenses	47,100	7.8	110,653	10.8	130,609	23.8	59,132	19.1	52,259	22.5
Others ⁽¹⁾	31,244	5.2	56,312	5.5	65,413	12.0	35,203	11.3	31,163	13.4
Total	<u>600,361</u>	<u>100.0</u>	<u>1,022,880</u>	<u>100.0</u>	<u>547,847</u>	<u>100.0</u>	<u>310,756</u>	<u>100.0</u>	<u>232,680</u>	<u>100.0</u>

Note:

- (1) Others primarily consist of (i) outsourcing and other labor costs, (ii) depreciation of property and equipment, (iii) amortization of intangible assets, and (iv) miscellaneous administrative expenses.

Our selling and marketing expenses accounted for 40.2%, 38.9%, 16.1%, 18.7% and 14.3% of our revenues in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

Our advertising and promotion expenses were attributable to our promotion and advertising activities in social media, app stores and others. The table below sets forth the details of such expenses during the Track Record Period.

	For the year ended December 31,						For the six months ended			
	2020		2021		2022		June 30,		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Social media marketing	339,366	65.0	423,277	49.4	167,491	47.6	91,438	42.3	84,230	56.4
App store marketing	85,816	16.4	183,729	21.5	53,333	15.1	45,327	20.9	18,245	12.3
KOL promotion	37,722	7.2	122,283	14.3	46,038	13.1	33,586	15.5	15,994	10.7
Brand promotion	37,823	7.3	86,547	10.1	54,419	15.5	28,753	13.3	21,949	14.7
Others	21,290	4.1	40,079	4.7	30,544	8.7	17,317	8.0	8,840	5.9
Total Advertising and Promotion Expenses	<u>522,017</u>	<u>100.0</u>	<u>855,915</u>	<u>100.0</u>	<u>351,825</u>	<u>100.0</u>	<u>216,421</u>	<u>100.0</u>	<u>149,258</u>	<u>100.0</u>

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We promote our brand and increase our visibility by engaging third-party advertising service providers to conduct advertising through various online channels popular among our existing and potential users such as short video platforms, apps stores and search engines. Under our cooperation with the online advertising service providers, they are responsible for designing, producing and distributing advertisements about our services on such online channels based on our marketing strategies and preferences. We pay these online advertising service providers primarily based on the actual costs incurred for their services in producing and distributing advertising content through such online channels. See also “Business of the Target Group – Suppliers and Procurement.”

The tables below set forth the top five advertising service providers in terms of amounts for the periods indicated.

For the year ended December 31, 2020

Advertising service provider	Amount of advertising expenses (RMB'000)	Promoting and advertising channel	Registered capital (RMB)
Company A	153,580	Social media	10.0 million
Company B	91,600	Social media	5.0 million
Company C	41,662	Social media	5.0 million
Company D	26,575	App stores and social media	630.0 million
Company E	22,493	App stores	10.0 million

For the year ended December 31, 2021

Advertising service provider	Amount of advertising expenses (RMB'000)	Promoting and advertising channel	Registered capital (RMB)
Company B	175,005	Social media	5.0 million
Company A	128,202	Social media	10.0 million
Company F	67,242	Social media	10.0 million
Company G	55,846	Social media	12.0 million
Company E	54,351	App stores	10.0 million

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For the year ended December 31, 2022

Advertising service provider	Amount of advertising expenses (RMB'000)	Promoting and advertising channel	Registered capital (RMB)
Company B	68,016	Social media	5.0 million
Company H	38,491	Esports sponsorship	100.0 million
Company I	23,978	Social media	5.0 million
Company G	21,187	Social media	12.0 million
Company J	18,819	App stores	20.4 million

For the six months ended June 30, 2023

Advertising service provider	Amount of advertising expenses (RMB'000)	Promoting and advertising channel	Registered capital (RMB)
Company K	22,446	Social media	10.0 million
Company H	20,592	Esports sponsorship	100.0 million
Company G	10,313	Social media	12.0 million
Company L	10,158	Social media	5.0 million
Company M	9,603	Social media	32.0 million

To the best knowledge of our Directors, none of the top five online advertising service providers in each year of the Track Record Period is a connected person of the Target Company. To the best knowledge of our Directors, none of the top five online advertising service providers in each year of the Track Record Period has any relationship (financing, family, management or otherwise), other than their provision of advertising services to the Group, with the Group, including its subsidiaries, shareholders, directors, senior management and their respective close associates.

Administrative Expenses

Our administrative expenses consist primarily of (i) employee benefits expenses; (ii) depreciation and amortization, and (iii) professional fees, which were primarily paid to legal, accounting and other advisors for their services rendered in relation to our financing activities. We expect to incur additional expenses as a result of operating as a public company and to meet the increased compliance requirements associated with our expansion.

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The table below sets forth a breakdown of our administrative expenses by nature in absolute amounts for the years indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Employee benefits expenses	178,698	82.8	302,924	71.0	117,183	61.8	63,786	69.1	80,577	69.0
Share-based compensation expenses – non-employee	–	–	23,963	5.6	–	–	–	–	–	–
Depreciation and amortization	11,163	5.2	29,896	7.0	44,442	23.4	21,679	23.5	21,545	16.6
Professional fees	16,027	7.4	56,230	13.2	19,837	10.5	1,846	2.0	11,319	9.7
Others ⁽¹⁾	9,957	4.6	13,724	3.2	8,172	4.3	4,952	5.4	3,298	2.7
Total	215,845	100.0	426,737	100.0	189,634	100.0	92,263	100.0	116,739	100.0

Note:

- (1) Others primarily include (i) auditor’s remuneration, (ii) donation expenditure and (iii) miscellaneous administrative expenses.

Our administrative expenses accounted for 14.5%, 16.2%, 5.6%, 5.6% and 7.2% of our revenues in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

Research and Development Expenses

Our research and development expenses consist primarily of (i) employee benefits expenses; and (ii) cloud services costs that correlate to our self-developed middle platform and back-office management systems, as well as our product development and optimization. We believe that continued investment in research and development is key to our future growth. We expect to continue to invest substantially in our research and development efforts to improve user experience and support our business growth. As a result, we expect our research and development expenses to continue to increase in absolute amounts in the foreseeable future.

FINANCIAL INFORMATION OF THE TARGET GROUP

The following table sets forth the breakdown of our research and development expenses by nature in absolute amounts for the years indicated:

	For the year ended December 31,						For the six months ended			
	2020		2021		2022		June 30,		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Employee benefits expenses	77,676	54.2	223,671	74.9	370,420	72.8	162,258	74.7	184,658	71.5
Cloud services costs	35,981	25.1	51,130	17.1	64,802	12.7	32,827	15.1	24,503	9.5
Others ⁽¹⁾	29,746	20.7	23,704	8.0	73,764	14.5	22,125	10.2	49,134	19.0
Total	<u>143,403</u>	<u>100.0</u>	<u>298,505</u>	<u>100.0</u>	<u>508,986</u>	<u>100.0</u>	<u>217,210</u>	<u>100.0</u>	<u>258,295</u>	<u>100.0</u>

Note:

- (1) Others primarily consist of (i) outsourcing and other labor costs, (ii) depreciation of property and equipment, (iii) amortization of intangible assets, and (iv) professional fees.

Our research and development expenses accounted for 9.6%, 11.3%, 15.0%, 13.1% and 15.9% of our revenues in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

(Net Impairment Losses)/Reversal of Impairment Losses on Financial Assets

Our net impairment (losses)/reversal of impairment losses on financial assets consist primarily of loss allowance provided for trade receivables, other receivables and amounts due from related parties.

We had net impairment losses on financial assets of RMB6.6 million, RMB5.3 million and RMB4.7 million in 2020, 2021 and six months ended June 30, 2023, respectively, and net impairment reversal of impairment losses on financial assets of RMB5.1 million and RMB7.7 million in 2022 and the six months ended June 30, 2022, respectively.

Other Gains, Net

Our other gains, net consists primarily of (i) net fair value (losses)/gains on financial assets at fair value through profit or loss, (ii) government grants and value added tax subsidies and (iii) net foreign exchange gains. In 2020, 2021, 2022 and six months ended June 30, 2022 and 2023, we recorded other gains, net of RMB13.1 million, RMB34.2 million, RMB47.0 million, RMB11.1 million and RMB63.1 million, respectively.

FINANCIAL INFORMATION OF THE TARGET GROUP

Operating Profit/(Loss)

As a result of the foregoing, we recorded operating profit of RMB18.1 million, RMB648.1 million, RMB296.1 million and RMB343.9 million in 2020, 2022 and the six months ended June 30, 2022 and 2023, respectively, and operating loss of RMB213.4 million in 2021.

Finance Income and Finance Costs

Our finance income consists primarily of (i) interest income from loan receivables and loans to related parties, which primarily relate to the loans we extended to Mr. Song Ke and his affiliates to buy out certain early investors, which has been repaid in full as of June 30, 2021 and (ii) interest income from bank deposits. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we had finance income of RMB8.5 million, RMB6.9 million, RMB16.0 million, RMB4.4 million and RMB17.5 million, respectively.

Our finance costs consist primarily of (i) interest expense from borrowings, which primarily relate to our bank loans, and (ii) interest expense from lease liabilities. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we had finance costs of RMB4.2 million, RMB5.2 million, RMB5.4 million, RMB2.9 million and RMB2.4 million, respectively.

As a result of the foregoing, in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded finance income, net of RMB4.3 million, RMB1.7 million, RMB10.6 million, RMB1.5 million and RMB15.1 million, respectively.

Share of Net Losses of Associates Accounted for Using Equity Method

In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded share of net losses of associates accounted for using equity method of RMB0.8 million, RMB7.5 million, RMB3.9 million, RMB2.0 million and RMB2.8 million, respectively. Associates are entities over which we have significant influence but not control or joint control. Our associates primarily include game studios and software development companies. Investments in associates are accounted for using the equity method of accounting after initially being recognized at cost.

Income Tax Expenses

Our income tax expenses comprised primarily of (i) current income tax and (ii) deferred income tax. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded income tax expenses of RMB12.9 million, RMB10.6 million, RMB68.7 million, RMB39.9 million and RMB21.0 million, respectively.

FINANCIAL INFORMATION OF THE TARGET GROUP

TAXATION

Cayman Islands

Under the current laws of the Cayman Islands, the Target Company is not subject to tax on income or capital gain. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Target Company.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong, except for one entity that is qualified under the two-tiered profits tax rate regime, under which the first HK\$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Target Company are not subject to any Hong Kong withholding tax.

PRC

Generally, our PRC subsidiary, VIE and VIE’s subsidiaries are subject to the PRC Enterprise Income Tax Law (“EIT Law”) at the statutory income tax rate of 25%.

Certain subsidiaries qualified as “Software Enterprise” in 2018 and 2022 had enjoyed the preferential income tax rate of 0% to 12.5% for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023. Additionally, certain subsidiaries qualified as “High and New Technology Enterprise” in 2021 and 2023 had enjoyed the preferential income tax rate of 15% for the years ended December 31, 2022 and six months ended June 30, 2022 and 2023.

According to the relevant laws and regulations promulgated by the State Council of the People’s Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 50-75% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of The People’s Republic of China (“STA”) further announced in March 2021 that enterprises engaging in research and development activities would entitle to claim 75-100% of their research and development expenses as Super Deduction until December 2023. The STA announced in September 2022 to increase the Super Deduction rate to 100% of their research and development expenses from October 1, 2022 to December 31, 2022. The STA further announced in March 2023 to extend the entitlement of Super Deduction on their research and development expenses from January 1, 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the period. Guangzhou Quwan and some of its PRC subsidiaries are qualified to enjoy the additional tax deduction for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023.

FINANCIAL INFORMATION OF THE TARGET GROUP

Under the Enterprise Income Tax Law enacted by the NPC, dividends generated after January 1, 2008 and payable by a foreign investment enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the “beneficial owner” and directly holds 25% or more of the equity interest in a PRC resident enterprise is entitled to a reduced withholding tax rate of 5%. The Cayman Islands, where the Target Company was incorporated, does not have a tax treaty with the PRC.

The Enterprise Income Tax Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and, consequently, be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the Enterprise Income Tax Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, and so forth, of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, our Group does not believe that it is likely that its operations outside of the PRC will be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, there is uncertainty as to the application of the Enterprise Income Tax Law. Should the Target Company be treated as a resident enterprise for PRC tax purposes, the Target Company will be subject to PRC income tax on worldwide income at a uniform tax rate of 25%. See “Risk Factors – Risks Related to Doing Business in the Region Where the Target Group Operates Its Business – We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.”

Singapore

Under the Singapore Income Tax Act, our subsidiaries operated in Singapore are subject to 17% corporate tax on their taxable income generated from operations in Singapore. Additionally, payments of dividends by our subsidiaries incorporated in Singapore are not subject to any Singapore withholding tax.

FINANCIAL INFORMATION OF THE TARGET GROUP

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2023 Compared with the Six Months Ended June 30, 2022

Revenues

Our revenues decreased slightly by 1.9% from RMB1,659.5 million in the six months ended June 30, 2022 to RMB1,627.5 million in the six months ended June 30, 2023, which was mainly due to a decrease in the revenue generated from audio entertainment services from RMB424.6 million to RMB375.5 million as we optimized our host community to focus on improving hosts’ content quality, in order to enhance our user experiences. The number of our average MPUs decreased from 1,096.0 thousand in the six months ended June 30, 2022 to 897.0 thousand in the same period of 2023, mainly due to our operational efforts focused on increasing individual spending of paying users rather than expanding our paying user base. Indeed, our average monthly revenue per paying user increased from RMB249 in the six months ended June 30, 2022 to RMB296 in the same period of 2023.

Cost of Revenues

Our cost of revenues decreased slightly by 3.6% from RMB761.9 million in the six months ended June 30, 2022 to RMB734.3 million in the six months ended June 30, 2023. The decrease was consistent with the decrease of our revenues and was primarily due to the decrease in revenue sharing fees, which accounted for a vast majority of our total cost of revenues. Our revenue sharing fees decreased from RMB632.1 million in the six months ended June 30, 2022 to RMB608.9 million in the six months ended June 30, 2023.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit decreased slightly by 0.5% from RMB897.6 million in the six months ended June 30, 2022 to RMB893.2 million in the six months ended June 30, 2023. Our gross profit margin remained stable at 54.9% in the six months ended June 30, 2023, compared with 54.1% in the same period of 2022.

Separately, the gross profit margin for games and others increased from negative 117.8% to negative 32.1% primarily because of the increased revenues from Esports team operations, which were mainly attributable to the increase of advertising sponsorship revenue and others. Our revenue from Esports team operation accounted for 0.5% and 1.5% of our total revenue in the six months ended June 30, 2022 and 2023, respectively.

FINANCIAL INFORMATION OF THE TARGET GROUP

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 25.1% from RMB310.8 million in the six months ended June 30, 2022 to RMB232.7 million in the six months ended June 30, 2023, which was primarily due to a decrease in our advertising and promotion expenses from RMB216.4 million to RMB149.3 million, mainly driven by our shift in focus to enhance existing users’ experience instead of new user acquisition, and our efforts to effectively optimize our sales and marketing expenses, utilizing innovative digital marketing tools to balance business expansion and operational expenditure plans.

Administrative Expenses

Our administrative expenses increased by 26.5% from RMB92.3 million in the six months ended June 30, 2022 to RMB116.7 million in the six months ended June 30, 2023, primarily due to (i) the increase of employee benefit expenses from RMB63.8 million to RMB80.6 million, driven by our efforts to improve employees’ benefit plans, and (ii) the increase of professional fees from RMB1.8 million to RMB11.3 million in connection with the Listing and De-SPAC Transaction.

Research and Development Expenses

Our research and development expenses increased by 18.9% from RMB217.2 million in the six months ended June 30, 2022 to RMB258.3 million in the six months ended June 30, 2023, which was primarily attributable to the increase in both R&D headcounts and the compensation level of our research and development staff.

(Net Impairment Losses)/Reversal of Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB4.7 million in the six months ended June 30, 2023, and a reversal of impairment losses on financial assets of RMB7.7 million in the six months ended June 30, 2022 due to subsequent recoveries of prepayment and other current assets we had previously written off.

Other Gains, Net

Our other gains, net increased from RMB11.1 million in the six months ended June 30, 2022 to RMB63.1 million in the same period of 2023, primarily because (i) we had net fair value losses on financial assets at fair value through profit or loss of RMB4.8 million in the six months ended June 30, 2022, whereas we had net fair value gains on financial assets at fair value through profit or loss of RMB22.0 million in the same period of 2023, and (ii) our net foreign exchange gains increased from RMB8.5 million to RMB23.8 million.

FINANCIAL INFORMATION OF THE TARGET GROUP

Operating Profit/(Loss)

As a result of the foregoing, we recorded an operating profit of RMB296.1 million in the six months ended June 30, 2022 and an operating profit of RMB343.9 million in the six months ended June 30, 2023.

Finance Income and Finance Costs

Our finance income increased from RMB4.4 million in the six months ended June 30, 2022 to RMB17.5 million in the six months ended June 30, 2023, primarily due to the increase of interest income from bank deposits from RMB4.3 million to RMB17.5 million.

Our finance costs decreased from RMB2.9 million in the six months ended June 30, 2022 to RMB2.4 million in the six months ended June 30, 2023, primarily due to a decrease of interest expense from lease liabilities.

Share of Net Losses of Associates Accounted for Using Equity Method

We recorded share of net losses of associates accounted for using the equity method of RMB2.0 million in the six months ended June 30, 2022 and RMB2.8 million in the six months ended June 30, 2023 primarily due to the operational performance of our associates.

Fair Value Changes on Convertible Redeemable Preferred Shares and on Convertible Preferred Shares

From the six months ended June 30, 2022 to the same period of 2023, our fair value changes on convertible redeemable preferred shares increased from RMB6.4 million to RMB71.3 million, and our fair value changes on convertible preferred shares increased from negative RMB40.1 million to RMB83.4 million, primarily because valuation of the Target Company measured by third party increased in the six months ended June 30, 2023 but was relatively stable in the same period of 2022. We do not expect to record any further fair value changes on the convertible redeemable preferred shares or convertible preferred shares after the completion of the De-SPAC Transaction, as such preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the completion of the De-SPAC Transaction.

Income Tax Expenses

Our income tax expenses decreased from RMB39.9 million in the six months ended June 30, 2022 to RMB21.0 million in the same period of 2023, primarily because our effective tax rates decreased due to more favorable tax treatment.

FINANCIAL INFORMATION OF THE TARGET GROUP

Year Ended December 31, 2022 Compared with the Year Ended December 31, 2021

Revenues

Our revenues increased by 29.3% from RMB2,630.6 million in 2021 to RMB3,402.0 million in 2022, which was mainly due to an increase in the revenue generated from value-added services from RMB2,036.0 million in 2021 to RMB2,542.7 million in 2022, primarily attributable to our users’ increased consumption of virtual items on *TT Chat* and the growth of our paying user base, more interactions among our users and their increased willingness to deepen their connections through virtual gifting, driven by the satisfactory user experience we offer. The number of our average MPUs reached 1,000.3 thousand in 2022, compared to 965.6 thousand in 2021. Our monthly average revenue per paying user increased by 26.4% from RMB221 in 2021 to RMB279 in 2022. To a lesser extent, the increase of our revenues from 2021 to 2022 was also attributable to the increase of revenue from audio entertainment services from RMB520.8 million to RMB803.7 million, as our audio entertainment services continue to grow.

Cost of Revenues

Our cost of revenues increased by 38.6% from RMB1,124.8 million in 2021 to RMB1,559.5 million in 2022. The increase was consistent with the growth of our revenues and was primarily due to the increase in revenue sharing fees, which accounted for a vast majority of our total cost of revenues. Our revenue sharing fees increased by 40.6% from RMB922.3 million in 2021 to RMB1,296.6 million in 2022, and the revenue sharing fee as a percentage of our total revenues increased from 35.1% in 2021 to 38.1% in 2022, primarily due to the increased portion of revenue contributed by audio entertainment services, which have higher proportion of revenues shared to hosts and guilds than value-added services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 22.4% from RMB1,505.8 million in 2021 to RMB1,842.5 million in 2022. Our gross profit margins decreased slightly from 57.2% in 2021 to 54.2% in 2022 primarily because of the growth of our audio entertainment services, which have higher proportion of revenues shared to hosts and guilds than value-added services.

Separately, the gross profit margin for games and others decreased from negative 1.9% to negative 52.1% primarily because of the relatively stable costs for Esports operations coupled with decreased revenues from Esports, which were due to the decrease of revenue split from official leagues and winning prizes earned by our Esports team. Annual revenue split from official leagues and winning prizes may be highly volatile. See “Business of the Target Group – Other Complementary Business.” Our revenue from Esports team operation accounted for 1.9% and 1.0% of our total revenue in 2021 and 2022, respectively.

FINANCIAL INFORMATION OF THE TARGET GROUP

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 46.4% from RMB1,022.9 million in 2021 to RMB547.8 million in 2022, which was primarily due to a decrease in our advertising and promotion expenses from RMB855.9 million in 2021 to RMB351.8 million in 2022, mainly attributable to our efforts to balance our business expansion and operational expenditure, by continuing to optimize our sales and marketing activities, focusing on cost-effective and utilizing innovative digital marketing tools.

Administrative Expenses

Our administrative expenses decreased by 55.6% from RMB426.7 million in 2021 to RMB189.6 million in 2022. The decrease was primarily because, in 2022, we no longer incur the one-off expenses for the deemed compensation in the form of dividends paid to Mr. Song Ke and other management of the Target Company, who used a portion of such dividends to repay the outstanding debt in connection with our corporate reorganization.

Research and Development Expenses

Our research and development expenses increased by 70.5% from RMB298.5 million in 2021 to RMB509.0 million in 2022, which was primarily attributable to the increase in both R&D headcounts and the compensation level of our research and development staff, including share-based compensations.

(Net Impairment Losses)/Reversal of Impairment Losses on Financial Assets

We recorded a net impairment (losses) on financial assets of RMB5.3 million in 2021 due to impairment losses on trade and other receivables in 2021. We recorded reversal of impairment losses on financial assets of RMB5.1 million in 2022 due to subsequent recoveries of prepayment and other current assets we had previously written off.

Other Gains, Net

We recorded other gains, net of RMB34.2 million and RMB47.0 million in 2021 and 2022, respectively. The change was mainly because our net foreign exchange gains increased from RMB4.6 million to RMB17.5 million.

Operating Profit/(Loss)

As a result of the foregoing, we recorded an operating loss of RMB213.4 million in 2021 and an operating profit of RMB648.1 million in 2022.

FINANCIAL INFORMATION OF THE TARGET GROUP

Finance Income and Finance Costs

Our finance income increased by 131.1% from RMB6.9 million in 2021 to RMB16.0 million in 2022, primarily due to the increase of interest income from bank deposits from RMB3.6 million to RMB15.8 million.

Our finance costs increased by 4.1% from RMB5.2 million in 2021 to RMB5.4 million in 2022, primarily due to an increase of interest expense from lease liabilities.

Share of Net Losses of Associates Accounted for Using Equity Method

We recorded share of net losses of associates accounted for using the equity method of RMB7.5 million in 2021 and RMB3.9 million in 2022 primarily due to the operational performance of our associates.

Fair Value Changes on Convertible Redeemable Preferred Shares and on Convertible Preferred Shares

From 2021 to 2022, our fair value changes on convertible redeemable preferred shares decreased from RMB1,326.3 million to RMB64.1 million, and our fair value changes on convertible preferred shares decreased from RMB939.4 million to RMB12.7 million, primarily because valuation of the Target Company measured by third party increased in 2021 but was relatively stable in 2022.

Income Tax Expenses

We recorded income tax expenses of RMB10.6 million and RMB68.7 million in 2021 and 2022, respectively, primarily because of the increase of our core taxable profits.

Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

Revenues

Our revenues increased by 76.1% from RMB1,493.4 million in 2020 to RMB2,630.6 million in 2021, which was attributable to an increase by 50.0% in the revenues generated by our value-added services from RMB1,357.1 million in 2020 to RMB2,036.0 million in 2021, and to a lesser extent, the introduction of audio entertainment services in July 2020, which contributed revenues of RMB63.6 million and RMB520.8 million in 2020 and 2021, respectively.

FINANCIAL INFORMATION OF THE TARGET GROUP

Our overall revenue increases were primarily driven by the increase of our MAUs and the growth of MPUs, as driven by increasingly diversified social entertainment scenarios offered on our platform, enhanced marketing efforts and improved operation efficiency. We had 16.8 million MAUs in 2021, compared to 12.3 million MAUs in 2020. We had 965.6 thousand average MPUs in 2021, compared to 643.9 thousand average MPUs in 2020. Our monthly average revenue per paying user increased by 20% from RMB184 in 2020 to RMB221 in 2021.

Cost of Revenues

Our cost of revenues increased by 115.4% from RMB522.2 million in 2020 to RMB1,124.8 million in 2021. The increase in cost of revenues was primarily due to the fast growth of our revenue, and the increase in revenue sharing fees by 113.2% from RMB432.6 million in 2020 to RMB922.3 million in 2021. More specifically, our revenue sharing fees attributable to value-added services increased from RMB354.8 million in 2020 to RMB560.8 million in 2021, as a result of the rapid growth of our value-added services, and we recorded RMB349.8 million of revenue sharing fees attributable to audio entertainment service in 2021 as opposed to RMB38.5 million in 2020, as we introduced our audio entertainment services in July 2020. The revenue sharing fee as a percentage of our total revenues increased from 29.0% in 2020 to 35.1% in 2021, primarily as a result of the increased portion of revenue contributed by audio entertainment services, which have a higher proportion of revenues shared to hosts and guilds than value-added services. This is because audio entertainment services are mostly provided by hosts managed by guilds to whom we pay additional revenue sharing fees, whereas revenues from value-added services are mostly generated when users send virtual gifts to other users in multi-user voice chatrooms where no such additional revenue sharing fees are paid to hosts managed by guilds. See “Business of the Target Group – Our Monetization.”

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 55.0% from RMB971.2 million in 2020 to RMB1,505.8 million in 2021. Our gross profit margin decreased from 65.0% in 2020 to 57.2% in 2021 primarily because we launched audio entertainment services in the second half of 2020, which have a higher proportion of revenues shared to hosts and guilds than that of value-added services.

Separately, the gross profit margin for games and others decreased from 21.8% in 2020 to negative 1.9% in 2021, primarily because of a significant decrease in our game distribution business as we strategically streamlined such business and the growth of our Esports business, which was at an early stage of development and was loss-making. We terminated the small business unit engaging in game distribution in May 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 70.4% from RMB600.4 million in 2020 to RMB1,022.9 million in 2021, which was primarily due to (i) an increase in advertising and promotion expenses from RMB522.0 million in 2020 to RMB855.9 million in 2021, mainly attributable to the increased marketing and promotion activities we undertook to promote our *TT Chat* brand and services and (ii) an increase in employee benefits expenses from RMB47.1 million in 2020 to RMB110.7 million in 2021 mainly attributable to the increased headcounts and compensation level to our selling and marketing personnel, including share-based compensation expenses.

FINANCIAL INFORMATION OF THE TARGET GROUP

Administrative Expenses

Our administrative expenses increased by 97.7% from RMB215.8 million in 2020 to RMB426.7 million in 2021, mainly attributable to (i) an increase in employee benefits expenses from RMB178.7 million for 2020 to RMB302.9 million for 2021 which was primarily due to the grant of share options during 2021 and deemed compensation in the form of dividends paid to Mr. Song Ke and other management of the Target Company who used a portion of such dividends to repay the outstanding debt in connection with our corporate reorganization, and (ii) an increase in professional fees from RMB16.0 million for 2020 to RMB56.2 million for 2021, primarily due to professional services expenses in connection with our financing activities.

Research and Development Expenses

Our research and development expenses increased by 108.2% from RMB143.4 million in 2020 to RMB298.5 million in 2021, as we continued to increase R&D headcounts and compensations of our research and development personnel, including share-based compensation.

(Net Impairment Losses)/Reversal of Impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased from RMB6.6 million in 2020 to RMB5.3 million in 2021, primarily because of the full repayment of the amounts due from related parties.

Other Gains, Net

We recorded other gains, net of RMB13.1 million and RMB34.2 million in 2020 and 2021, respectively. The increase was mainly due to (i) an increase in government grants and value added tax subsidies from RMB13.6 million to RMB19.8 million and (ii) a reverse of RMB10.0 million loan receivables, partially offset by a decrease of net foreign exchange gains from RMB11.1 million to RMB4.6 million.

Operating Profit/(Loss)

As a result of the foregoing, we recorded operating profit of RMB18.1 million in 2020 and operating loss of RMB213.4 million in 2021.

FINANCIAL INFORMATION OF THE TARGET GROUP

Finance Income and Finance Costs

We recorded finance income of RMB8.5 million and RMB6.9 million in 2020 and 2021, respectively. The change was primarily due to a decrease in interest income from loans to related parties from RMB6.9 million to RMB2.5 million as such loans were partially repaid over time.

Our finance costs increased by 23.7% from RMB4.2 million in 2020 to RMB5.2 million in 2021, primarily due to an increase of interest expense from lease liabilities, which was mainly attributable to our increased leased liabilities.

Share of Net Losses of Associates Accounted for Using Equity Method

We recorded share of net losses of associates accounted for using equity method of RMB0.8 million and RMB7.5 million in 2020 and 2021, respectively. The change was attributable to share of losses from our newly acquired associates.

Fair Value Changes on Convertible Redeemable Preferred Shares and on Convertible Preferred Shares

We recorded fair value changes on convertible redeemable preferred shares of RMB53.1 million and RMB1,326.3 million in 2020 and 2021, respectively, which were in relation to the increased third-party valuation of the Target Company. We recorded fair value changes on convertible preferred shares of RMB109.6 million and RMB939.4 million in 2020 and 2021, respectively, which were in relation to the increased third-party valuation of the Target Company.

Income Tax Expense

Our income tax expense decreased from RMB12.9 million in 2020 to RMB10.6 million in 2021, primarily because of our increased expenses not deductible for income tax purposes, which were mainly related to share-based compensation expenses and fair value loss of convertible redeemable preferred shares and convertible preferred shares.

FINANCIAL INFORMATION OF THE TARGET GROUP

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED BALANCE SHEETS

The table below sets forth selected information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant’s Report included in Appendix I to this circular:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
ASSETS				
Non-current assets				
Property and equipment	32,041	54,914	50,835	45,207
Investment properties	15,300	16,010	14,620	14,700
Right-of-use assets	18,489	124,159	95,155	81,137
Intangible assets	243,376	355,889	342,261	332,769
Financial assets at fair value				
through profit or loss	6,136	10,525	69,795	94,478
Fixed bank deposits	–	–	199,646	230,000
Prepayments and deposits	8,043	888	1,000	209,470
Amounts due from related parties	89,717	–	–	–
Investments in associates	8,724	46,734	42,847	47,352
Deferred tax assets	4,224	9,551	7,804	7,918
	<u>426,050</u>	<u>618,670</u>	<u>823,963</u>	<u>1,063,031</u>
Current assets				
Trade receivables	46,797	84,820	99,084	51,174
Prepayments and other current assets	79,732	110,379	126,342	102,995
Amounts due from related parties	182,430	–	–	–
Financial assets at fair value				
through profit or loss	–	201,224	358,097	222,900
Cash and cash equivalents	629,319	718,187	934,926	767,768
Fixed bank deposits	–	–	–	190,617
Restricted cash	–	638	696	723
	<u>938,278</u>	<u>1,115,248</u>	<u>1,519,145</u>	<u>1,336,177</u>
Assets of a disposal group classified as held-for-sale	<u>–</u>	<u>–</u>	<u>53,146</u>	<u>–</u>
	<u>938,278</u>	<u>1,115,248</u>	<u>1,572,291</u>	<u>1,336,177</u>
Total assets	<u><u>1,364,328</u></u>	<u><u>1,733,918</u></u>	<u><u>2,396,254</u></u>	<u><u>2,399,208</u></u>

FINANCIAL INFORMATION OF THE TARGET GROUP

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
DEFICIT AND LIABILITIES				
Deficit attributable to equity holders of the Target Company				
Share capital	47	47	47	48
Other reserves	36,620	293,930	60,260	(278,394)
Accumulated losses	(283,059)	(3,005,874)	(2,502,348)	(2,321,213)
	(246,392)	(2,711,897)	(2,442,041)	(2,599,559)
Non-controlling interests	723	10,483	7,172	8,054
Total deficit	<u>(245,669)</u>	<u>(2,701,414)</u>	<u>(2,434,869)</u>	<u>(2,591,505)</u>
Liabilities				
Non-current liabilities				
Lease liabilities	13,145	103,659	76,849	57,217
Deferred tax liabilities	–	5,029	4,736	4,237
Convertible redeemable preferred shares	746,193	2,448,645	2,730,121	2,314,950
Convertible preferred shares	314,726	1,234,924	1,362,112	1,500,243
	<u>1,074,064</u>	<u>3,792,257</u>	<u>4,173,818</u>	<u>3,876,647</u>
Current liabilities				
Borrowings	126,500	–	–	–
Amounts due to related parties	35,234	–	–	–
Accounts payable	116,543	190,694	200,639	168,757
Other payables and accruals	184,920	343,235	301,156	197,190
Contract liabilities	57,957	80,530	115,049	86,636
Income tax payable	6,731	2,658	13,650	10,975
Convertible redeemable preferred shares	–	–	–	617,536
Lease liabilities	8,048	25,958	26,811	32,972
Total current liabilities	<u>535,933</u>	<u>643,075</u>	<u>657,305</u>	<u>1,114,066</u>
Total liabilities	<u>1,609,997</u>	<u>4,435,332</u>	<u>4,831,123</u>	<u>4,990,713</u>
Total deficit and liabilities	<u>1,364,328</u>	<u>1,733,918</u>	<u>2,396,254</u>	<u>2,399,208</u>

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Net Current Assets and Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2020	2021	2022	June 30, 2023	October 15, 2023
	<i>(RMB in thousands)</i>				
Current assets					
Trade receivables	46,797	84,820	99,084	51,174	60,447
Prepayments and other current assets	79,732	110,379	126,342	102,995	107,755
Amounts due from related parties	182,430	–	–	–	–
Financial assets at fair value through profit or loss	–	201,224	358,097	222,900	537,594
Cash and cash equivalents	629,319	718,187	934,926	767,768	482,644
Fixed bank deposits	–	–	–	190,617	146,324
Restricted cash	–	638	696	723	718
	938,278	1,115,248	1,519,145	1,336,177	1,335,482
Assets of a disposal group classified as held-for-sale	–	–	53,146	–	–
Total current assets	938,278	1,115,248	1,572,291	1,336,177	1,335,482
Borrowings	126,500	–	–	–	–
Amounts due to related parties	35,234	–	–	–	–
Accounts payable	116,543	190,694	200,639	168,757	120,465
Other payables and accruals	184,920	343,235	301,156	197,190	190,306
Contract liabilities	57,957	80,530	115,049	86,636	123,711
Income tax payable	6,731	2,658	13,650	10,975	14,886
Convertible redeemable preferred shares	–	–	–	617,536	608,896
Lease liabilities	8,048	25,958	26,811	32,972	28,331
	535,933	643,075	657,305	1,114,066	1,086,595
Total current liabilities	535,933	643,075	657,305	1,114,066	1,086,595
Net current assets	402,345	472,173	914,986	222,111	248,887

We had net current assets of RMB402.3 million, RMB472.2 million, RMB915.0 million, RMB222.1 million and RMB248.9 million, respectively, as of December 31, 2020, 2021, 2022, June 30, 2023 and October 15, 2023.

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Our net current assets increased from RMB402.3 million as of December 31, 2020 to RMB472.2 million as of December 31, 2021, primarily due to (i) an increase in financial assets at fair value through profit or loss from nil as of December 31, 2020 to RMB201.2 million as of December 31, 2021 as a result of our purchase of wealth management products, (ii) an increase in cash and cash equivalents from RMB629.3 million as of December 31, 2020 to RMB718.2 million as of December 31, 2021, because of increase in our operating cash, and (iii) a decrease in borrowings from RMB126.5 million as of December 31, 2020 to nil as of December 31, 2021, because we paid the outstanding borrowing amount in full, partially offset by (i) a decrease in amounts due from related parties from RMB182.4 million as of December 31, 2020 to nil as of December 31, 2021 as a result of full repayment of the loans we extended to Mr. Song Ke and his affiliates to buy out certain early investors, and (ii) an increase in other payables and accruals from RMB184.9 million as of December 31, 2020 to RMB343.2 million as of December 31, 2021 as a result of increase in employee compensation expenses and the acquisition costs payable for AVSP license.

Our net current assets increased from RMB472.2 million as of December 31, 2021 to RMB915.0 million as of December 31, 2022, primarily due to (i) an increase in cash and cash equivalents from RMB718.2 million as of December 31, 2021 to RMB934.9 million as of December 31, 2022, which was primarily attributable to cash generated from our operations; and (ii) an increase in financial assets at fair value through profit or loss from RMB201.2 million as of December 31, 2021 to RMB358.1 million as of December 31, 2022 as a result of our purchase of unlisted debt securities.

Our net current assets decreased from RMB915.0 million as of December 31, 2022 to RMB222.1 million as of June 30, 2023, primarily due to an increase in convertible redeemable preferred shares from nil as of December 31, 2022 to RMB617.5 million as of June 30, 2023, which were reclassified from non-current convertible redeemable preferred shares, as the redemption rights may be exercised within one year under circumstances such as failure to achieve a Qualified Listing.

Our net current assets increased from RMB222.1 million as of June 30, 2023 to RMB248.9 million as of October 15, 2023, primarily due to an decrease in accounts payable from RMB168.8 million to RMB120.5 million, mainly as a result of settlement of our accounts payable, which mainly are revenue sharing fee payable to guilds, hosts and users.

FINANCIAL INFORMATION OF THE TARGET GROUP

Assets

Right-of-use Assets

Our right-of-use assets were RMB18.5 million, RMB124.2 million, RMB95.2 million and RMB81.1 million, respectively, as of December 31, 2020, 2021 and 2022 and June 30, 2023. Our right-of-use assets represent our office buildings.

Property and Equipment

Our property and equipment consist primarily of our buildings, servers, computers and electronic equipment. Our property and equipment were RMB32.0 million, RMB54.9 million, RMB50.8 million and RMB45.2 million, as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

Intangible Assets

Our intangible assets consist mainly of Esports licenses and contracts, Esports players’ rights, online game licenses, audio video service permission license and goodwill. Our intangible assets were RMB243.4 million, RMB355.9 million, RMB342.3 million and RMB332.8 million, respectively, as of December 31, 2020, 2021, 2022 and June 30, 2023. Our intangible assets increased from December 31, 2020 to December 31, 2021, primarily because our acquisition of the Uki Group Company in April 2021. See “History, Reorganization and Corporate Structure of the Target Group – Major Acquisitions, Disposals, Mergers and Minority Investments.” Our intangible assets remained relatively stable from December 31, 2021 to December 31, 2022 and from December 31, 2022 to June 30, 2023.

Investments in Associates

Investments accounted for using the equity method are related to our investments in associates, which amounted to RMB8.7 million, RMB46.7 million, RMB42.8 million and RMB47.4 million, respectively, as of December 31, 2020, 2021, 2022 and June 30, 2023. Associates are entities over which we have significant influence but not control or joint control. Our associates primarily include game studios and software development companies. Investments in associates are accounted for using the equity method of accounting after initially being recognized at cost. The increase of our investments in associates from December 31, 2020 to December 31, 2021 was primarily because of our increased investment in associates. The decrease of our investments in associates from December 31, 2021 to December 31, 2022 was primarily related to the business performance of our associates. The increase of our investments in associates from December 31, 2022 to June 30, 2023 was primarily due to our investments in additional associates.

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Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss consist of both current and non-current portions. The non-current portion consists of investments in unlisted entities. The current portion consists of wealth management products, unlisted debt securities and loan receivables with conversion options. The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Non-current				
Unlisted equity securities	6,136	10,525	69,795	94,478
Current				
Wealth management products	–	200,224	151,340	134,889
Unlisted debt securities	–	–	206,757	88,011
Loan receivables with conversion options	–	1,000	–	–
	–	201,224	358,097	222,900
Total	6,136	211,749	427,892	317,378

During the Track Record Period, we primarily invested in wealth management products, unlisted debt securities, unlisted entities and loan receivables with conversion options. We make investment decisions on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macroeconomic environment, general market conditions, nature and structure of the financial product and the expected profit or potential loss of the investment. We also limit our investment to financial products with no default history and diversify our investment portfolio to manage risks. During the Track Record Period, we invested in wealth management products, including low-risk wealth management products with a maturity period within one year issued by reputable financial institutions in China. Our unlisted equity securities were issued by various private start-up companies mostly in technology and media industries. Most of these private start-up companies had yet to turn profit due to their development stage. Our investments in financial assets (including wealth management products) will be subject to the disclosure requirements under Chapter 14 of the Listing Rules upon Listing. Our unlisted debt securities represent an investment in an unlisted corporate debt-like instrument with a maturity of 6 months issued by a real estate company in the PRC. Our unlisted debt securities of RMB206.8 million as of December 31, 2022 were fully redeemed by the issuer on February 22, 2023. The repayment of the debt has not been financed, directly or indirectly, by the Group, including its subsidiaries, shareholders, directors, senior

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management and their respective close associates. We have not suffered any loss from such investment. Subsequent to the redemption, we purchased the same unlisted debt securities with less investment amount, which is recorded as of June 30, 2023 as unlisted debt securities of RMB88.0 million and has been redeemed in full as of the Latest Practicable Date. We have not experienced any interest payment default in connection with the subject unlisted debt securities as of the Latest Practicable Date. Our loan receivables with conversion options as of December 31, 2021 were issued by a private technology company, and was fully settled in 2022. We have adopted an internal policy in relation to our investments and established an Investment Committee with members from our financial and business departments. Our business departments or chairman’s office are responsible for proposing and analyzing potential investment. Upon review of the investment plan, our chairman’s office would organize an investment management task force to conduct due diligence to the extent appropriate. The task force would coordinate with our chairman’s office, finance department, legal department and internal control department to formulate an opinion towards the investment plan from their relevant perspectives and submit to our Investment Committee for approval. After making investments in private companies, we regularly monitor our investees’ operational and financial results as well as general performance of our investment portfolio to assess and make adjustment to our investments.

Level 3 Fair Value Measurement

During the Track Record Period, we had certain financial assets and financial liabilities at fair value through profit or loss categorized within level 3 of fair value measurement (“Level 3 Financial Assets and Liabilities”). Our Group has a team that manages the valuation of Level 3 Financial Assets and Liabilities for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of our Group’s Level 3 Financial Assets and Liabilities. External valuation experts are involved when necessary.

Details of the fair value measurement of financial assets and liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in Note 3.3 of the Accountant’s Report in Appendix I which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this circular.

In relation to the valuation of the Level 3 Financial Assets and Liabilities, our management has carefully reviewed the valuation related policies, the financial statements prepared in accordance with IFRS and other supporting documents, and has had sufficient understanding of the valuation model, methodologies and techniques. Based on the above, our management is of the view that the valuation analysis performed during the Track Record

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Period is fair and reasonable, and our financial statements are properly prepared. Our management is satisfied with the valuation work for the Level 3 Financial Assets and Liabilities performed during the Track Record Period.

In relation to the valuation of the Level 3 Financial Assets and Liabilities, the Sole Sponsor has conducted, among others, the following due diligence work: (i) review the relevant notes in the Accountant's Report contained in Appendix I to this circular; (ii) discuss with the management to understand the internal policies and procedures for the management of the Level 3 Financial Assets and Liabilities and the key basis, methodology and assumptions for the valuation of the Level 3 Financial Assets and Liabilities; (iii) obtaining and reviewing the relevant underlying agreements concerning the corresponding Level 3 Financial Assets and Liabilities during the Track Record Period; (iv) obtaining and reviewing the relevant valuation reports prepared by external valuation experts; (v) interviewing the relevant external valuation experts about the key basis, methodology and assumptions for their valuation of the Level 3 Financial Assets and Liabilities; and (vi) discussing with the Reporting Accountant to understand the work they have performed in relation to the valuation of the Level 3 Financial Assets and Liabilities for the purpose of reporting on the Historical Financial Information of the Group as a whole.

In particular, the convertible redeemable preferred shares and convertible preferred shares issued by the Target Company are not traded in an active market, and the respective fair value is determined by using valuation techniques. We applied the discounted cash flow method to determine the underlying equity value of the Target Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares and convertible preferred shares. Key assumptions included the discount rate, risk-free interest rate, lack of marketability discount and volatility, as well as the probability weight among the timing of the liquidation, and redemption or IPO event scenarios are based on our best estimates, which is disclosed in Note 33 and 34 of the Accountant's Report set out in Appendix I to this circular.

In relation to the valuation of the convertible redeemable preferred shares and convertible preferred shares, our Directors: (i) reviewed the terms of the Pre-Listing Investment Agreement and the Pre-Listing Shareholders Agreement; (ii) engaged an independent suitably qualified valuer, provided material information that is likely to affect the valuation as part of the instructions to the valuer, so as to enable the valuer to perform valuation procedures, and discussed with the valuer relevant assumptions and valuation methodologies; (iii) carefully considered all information which require management assessments and estimates, including probabilities under different scenarios, time to liquidation and discount for lack of marketability; and (iv) reviewed the valuation working papers and valuation report prepared by the valuer and carefully considered the reasonableness of key input data and major assumptions adopted. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable.

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Based on the due diligence work conducted as described above, and having taken into account the work performed by the Target Company’s management and the unqualified opinion on the Historical Financial Information of the Group as a whole issued by the Reporting Accountant included in Appendix I to this circular, nothing has come to the attention of the Sole Sponsor that would cause it to disagree with the valuation of the Level 3 Financial Assets and Liabilities.

Trade Receivables

Our trade receivables consist primarily of outstanding amounts payable by third party debtors and related parties in our ordinary course of business, mainly including purchase of virtual currency, receivables of winning prizes earned by our Esports team and franchise revenue shared by different Esports leagues of which we are a league member. Our trade receivables were RMB46.8 million, RMB84.8 million, RMB99.1 million and RMB51.2 million, as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. As of October 15, 2023, RMB25.8 million, or 50.5% of our trade receivables outstanding as of June 30, 2023, had been subsequently settled. To the best of our knowledge, we believe that there is no material recoverability issue for trade receivables aged over 180 days as of June 30, 2023, and we have made sufficient provision in relation to such trade receivables, primarily given (i) we assess our customers’ credit quality carefully, taking into account their credit history and other factors; (ii) throughout the Track Record Period, we have not experienced material recoverability issues for our trade receivables; and (iii) we have in place dedicated internal teams responsible for continually monitoring the credit profiles and operating and financial conditions of our customers and proactively following up on our customers on trade receivables outstanding.

The following table sets forth the detail information of trade receivables during the Track Record Period:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Trade receivables				
– Third party debtors	21,408	39,667	40,503	21,556
– Unbilled receivables	25,763	47,701	60,799	36,449
– Related parties	50	–	–	–
	<u>47,221</u>	<u>87,368</u>	<u>101,302</u>	<u>58,005</u>
Less: Loss allowance	<u>(424)</u>	<u>(2,548)</u>	<u>(2,218)</u>	<u>(6,831)</u>
Total trade receivables, net	<u>46,797</u>	<u>84,820</u>	<u>99,084</u>	<u>51,174</u>

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Unbilled receivables arise from sale of virtual items which can be used in the interactive online platform and online games developed by us. The unbilled receivables are transferred to trade receivables upon the issuance of invoice. All of our unbilled receivables are expected to be recovered within one year.

The ageing analysis of trade receivables based on invoice date is as follows:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
0 to 30 days	15,398	36,076	33,572	15,277
31 to 60 days	1,693	54	59	728
61 to 90 days	883	68	691	1,943
91 to 180 days	1,589	150	93	226
Over 180 days	1,895	3,319	6,088	3,382
	21,458	39,667	40,503	21,556
Unbilled receivables	25,763	47,701	60,799	36,449
	47,221	87,368	101,302	58,005
Less: Loss allowance	(424)	(2,548)	(2,218)	(6,831)
Total trade receivables, net	46,797	84,820	99,084	51,174

Our trade receivables turnover days for the year ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023 are 10 days, 9 days, 10 days and 8 days, respectively.

The following table sets forth the breakdown by nature of trade receivables during the Track Record Period:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Receivables due from third parties for purchase of virtual currency	26,604	52,463	67,999	37,683
Esports receivables	12,997	25,866	24,943	6,527
Others	7,196	6,491	6,142	6,964
Sub-total	46,797	84,820	99,084	51,174

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Amounts Due from Related Parties

As of December 31, 2020, 2021, 2022 and June 30, 2023, our amounts due from related parties were RMB272.1 million, nil, nil and nil, respectively. The amounts due from related parties as of December 31, 2020 are non-trade in nature and represent the loans we extended to Mr. Song Ke and his affiliates to buy out certain early investors. Such loans were fully repaid in 2021.

Prepayments and Other Assets

Our prepayments and other assets were RMB87.8 million, RMB111.3 million, RMB127.3 million and RMB312.5 million, as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. Of the prepayments and other assets, RMB79.7 million, RMB110.4 million, RMB126.3 million and RMB120.7 million were current prepayments and other current assets, as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. Our prepayments and other assets increased throughout the Track Record Period primarily as a result of our increased prepayment in operations as our business grows. As of October 15, 2023, RMB253.6 million, or 81.2%, of our prepayments and other assets outstanding as of June 30, 2023, had been subsequently settled.

The detailed information of prepayments and other assets during Track Record Period is as below:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Prepaid marketing and promotion expenses	17,910	19,600	7,024	4,708
Prepaid revenue sharing fee	7,218	11,530	29,931	17,616
Prepaid bandwidth cost	2,104	124	–	–
Prepaid technical service fee	9,696	15,902	10,713	6,839
Prepaid listing expenses	–	11,257	18,356	12,853
Other prepaid expenses	3,102	5,247	9,558	3,144
Total current prepayments	40,030	63,660	75,582	45,160
Prepaid staff costs	7,043	–	–	–
Prepaid acquisition cost of intangible assets and property and equipment	1,000	888	–	–
Total non-current prepayments	8,043	888	–	–
Total prepayments	48,073	64,548	75,582	45,160

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	As of December 31,			As of
	2020	2021	2022	June 30,
	<i>(RMB in thousands)</i>			2023
Loan receivables	18,996	14,209	6,968	6,968
Input value added tax recoverable	15,850	20,279	15,599	23,199
Deposits	6,784	14,412	22,539	20,309
Staff advance	–	8,918	2,955	3,773
Other receivables	3,360	3,110	9,667	10,554
Total other current assets	44,990	60,928	57,728	64,803
Deposits	–	–	1,000	209,470
Total other non-current asset	–	–	1,000	209,470
Less: credit loss allowances	(5,288)	(14,209)	(6,968)	(6,968)
Total other assets, net of credit loss allowances	39,702	46,719	51,760	267,305

Our loan receivables represent loans we provided to business partners to support their continuous development. We recorded loan receivables of RMB19.0 million, RMB14.2 million and RMB7.0 million and RMB7.0 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The decreases of the balance of such loan receivables were primarily due to third parties’ repayment of loans. We recorded a total staff advance of RMB8.9 million, RMB3.0 million and RMB3.8 million as of December 31, 2021, 2022 and June 30, 2023, respectively, as a result of a salary advance provided to employees to help them fulfill their personal tax liabilities arising from options granted under the 2020 Plan. None of these employees is a Director or a connected person. As of October 15, 2023, none of the staff advance recorded as of June 30, 2023, was subsequently settled. It is expected that such staff advance will be fully repaid within one year after the Listing. In addition, such employees are required to fully repay the staff advance before the termination of his or her employment if such termination occurs before the anniversary of the Listing.

Cash and Cash Equivalents

Our cash and cash equivalents consist primarily of cash at bank and bank deposits with original maturities of less than three months. Our cash and cash equivalents were RMB629.3 million, RMB718.2 million, RMB934.9 million and RMB767.8 million, respectively, as of December 31, 2020, 2021, 2022 and June 30, 2023. Our cash and cash equivalents generally increased during the Track Record Period primarily due to the increased cash generated from our operations and our pre-Listing financing activities.

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Assets Held for Sale

We were committed to actively market and sell our non-wholly owned interests in Qingdao Jiuqu Chenfei Investment Limited Partnership (“Qingdao Jiuqu”), a limited partnership registered under the PRC law and a structured entity held for proprietary investment purposes, and therefore classified such interests as disposal group held for sale as of December 31, 2022. We invested in Qingdao Jiuqu primarily because we expect to receive reasonable return for our non-wholly owned interests, given Qingdao Jiuqu is an investment company with expertise in traditional sectors that usually have stable return-on-investment. We completed the sale of our non-wholly owned interest in Qingdao Jiuqu on June 30, 2023, with approximately 10% annualized rate of return, so that we could mobilize the proceeds from the sale and look for investment in other opportunities with higher expected rate of return. There were no transaction between Qingdao Jiuqu and us other than the aforesaid investment. During the Track Record Period, Qingdao Jiuqu was financially healthy, and we did not provide any financial support to it. To our best knowledge, Qingdao Jiuqu was not involved in any non-compliance incidents or litigations.

Liabilities

Borrowings

Our balance for borrowings was RMB126.5 million, nil, nil and nil as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The borrowings recorded in 2020 consist of RMB46.5 million of current and secured bank loans and RMB80.0 million current and unsecured bank loans, which were fully repaid. The effective interest rate of these borrowings is 4.00% to 4.85% per annum. We had RMB20.0 million of bank borrowings in 2022 which was repaid before December 31, 2022. The effective interest rate of these borrowings is 4.00% per annum. The interest rates under the loan agreements with the banks were determined based on the prevailing interest rates in the market.

Amounts Due to Related Parties

We had amounts due to related parties of RMB35.2 million as of December 31, 2020. We did not have amounts due to related parties as of December 31, 2021, 2022 and June 30, 2023. The amounts due to related parties of RMB35.2 million as of December 31, 2020 are non-trade in nature and represent cash advances by related parties in connection with the repurchase of ordinary shares indirectly held by key management. See Note 38 of the Accountant’s Report set out in Appendix I to this circular for details. Such cash advances were fully settled in 2021.

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Other Payables and Accruals

Our other payables and accruals during the Track Record Period primarily consist of (i) employee benefit payables; (ii) acquisition costs payable for Esports licenses and contracts; (iii) acquisition costs payable for audio video service permission (“AVSP”) license; (iv) Esports licenses fee payables; and (v) acquisition cost payable for an associate. Other payables and accruals increased from RMB184.9 million as of December 31, 2020 to RMB343.2 million as of December 31, 2021 primarily attributable to the increases in employee benefits payables and acquisition costs payable for the AVSP license. Other payables and accruals decreased from RMB301.2 million as of December 31, 2022 to RMB197.2 million as of June 30, 2023 primarily attributable to the decrease of employee benefits payables due to payments of annual bonus to employees. As of October 15, 2023, RMB96.0 million, or 48.7%, of our other payables and accruals outstanding as of June 30, 2023, had been subsequently settled.

The detailed information of other payables and accruals during the Track Record Period is as below:

	As of December 31,			As of
	2020	2021	2022	June 30,
	<i>(RMB in thousands)</i>			2023
Acquisition costs payable for Esports licenses and contracts	40,000	–	–	–
Acquisition costs payable for AVSP license	–	47,170	12,170	12,170
Esports licenses fee payables	16,000	16,000	–	–
Acquisition cost payable for an associate	–	15,000	–	–
Marketing and promotion fee payables	46,145	85,998	42,897	40,559
Employee benefits payables	46,580	118,807	157,809	83,907
Other taxes payables	23,717	22,470	34,348	5,895
Listing expenses payables	–	25,333	27,235	21,680
Others	12,478	12,457	26,697	32,979
Total other payables	184,920	343,235	301,156	197,190

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We recorded acquisition costs payable for the acquisition of Huayu Shiji that wholly owns Huayu Tianxia which held the AVSP license of RMB47.2 million, RMB12.2 million and RMB12.2 million as of December 31, 2021, 2022 and June 30, 2023, respectively, as we acquired the Huayu Shiji from Independent Third Parties to prepare for future business opportunities and as precautionary measures to mitigate risks associated with regulatory uncertainties in the future (the “AVSP Acquisition Arrangement”). The acquisition costs of RMB59.5 million were determined after arm’s length negotiation with the sellers, taking into account various factors such as the market practice of such acquisitions and business needs of both parties. The acquisition costs are primarily settled in phases upon the fulfillment of certain conditional precedents that are unrelated to the Listing and such acquisition costs will not be recurring.

Accounts Payables

Our accounts payables consist primarily of the revenue sharing fee payable to guilds, users and online game content providers. During the Track Record Period, our accounts payables were RMB116.5 million, RMB190.7 million, RMB200.6 million and RMB168.8 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. As of October 15, 2023, RMB161.8 million, or 95.9% of our accounts payables outstanding as of June 30, 2023, had been subsequently settled. Our accounts payables turnover days for the year ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023 are 80 days, 50 days, 46 days and 46 days, respectively.

The following table sets forth the aging analysis based on invoice date of our accounts payables.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Up to 3 months	113,064	188,800	199,358	165,508
3 to 6 months	2,069	1,505	868	2,489
6 months to 1 year	1,410	389	413	760
	116,543	190,694	200,639	168,757

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The following table sets forth the breakdown by nature of accounts payables during the Track Record Period:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Payable for revenue sharing				
fees	103,630	159,607	176,677	136,223
Cloud services costs	5,416	13,524	15,057	18,685
Others	7,497	17,563	8,905	13,849
Total	116,543	190,694	200,639	168,757

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. We recorded non-current lease liabilities of RMB13.1 million, RMB103.7 million, RMB76.8 million and RMB57.2 million, respectively, as of December 31, 2020, 2021, 2022 and June 30, 2023. We recorded current lease liabilities of RMB8.0 million, RMB26.0 million, RMB26.8 million and RMB33.0 million, respectively, as of December 31, 2020, 2021, 2022 and June 30, 2023. During the Track Record Period, we have obtained the right to use certain office buildings through lease agreements with term typically running for an initial period of one to six years.

Contract Liabilities

Our contract liabilities primarily related to advances for the purchase of virtual items and advanced cash receipt. We recorded contract liabilities of RMB58.0 million, RMB80.5 million, RMB115.0 million and RMB86.6 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. Increases and decreases of our contract liabilities during the Track Record Period were mainly due to the increases and decreases in our paying users and their spending on *TT Chat*, respectively. As of October 15, 2023, all of our contract liabilities outstanding as of June 30, 2023, had been subsequently settled.

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The breakdown of contract liabilities is as follows:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Contract liabilities for value added services and audio entertainment	51,495	76,434	111,022	85,375
Contract liabilities from game and other	6,462	4,096	4,027	1,261
	57,957	80,530	115,049	86,636

Convertible Redeemable Preferred Shares and Convertible Preferred Shares

Since our inception, we have completed several rounds of financing by issuing convertible redeemable preferred shares to investors, namely, series A preferred shares, series B preferred shares, series B+ preferred shares and series C preferred shares. We recorded convertible redeemable preferred shares of RMB746.2 million, RMB2,448.6 million, RMB2,730.1 million and RMB2,932.5 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. We also issued series Angel preferred shares, recorded as convertible preferred shares of RMB314.7 million, RMB1,234.9 million, RMB1,362.1 million and RMB1,500.2 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. For a discussion on the valuation of our convertible redeemable preferred shares and convertible preferred shares, see “– Level 3 Fair Value Measurement.” We do not expect to record any further convertible redeemable preferred shares as such preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the completion of the De-SPAC Transaction.

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LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from our operations and capital contributions from shareholders. After the De-SPAC Transaction, we intend to finance our future capital requirements through equity financing activities and debt financing activities in a balanced manner. We do not anticipate any changes to the availability of financing to fund our operation in the future.

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

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Net cash generated from operating activities	258,096	156,268	711,096	207,755	280,391
Net cash used in investing activities	(316,534)	(48,044)	(475,532)	(26,092)	(257,818)
Net cash generated from/(used in) financing activities	<u>609,339</u>	<u>(3,828)</u>	<u>(34,158)</u>	<u>3,143</u>	<u>(213,152)</u>
Net increase/ (decrease) in cash and cash equivalents	550,901	104,396	201,406	184,806	(190,579)
Cash and cash equivalents at the beginning of the year/period	78,310	629,319	718,187	718,187	955,643
Effects of exchange rate changes on cash and cash equivalents	<u>108</u>	<u>(15,528)</u>	<u>36,050</u>	<u>20,626</u>	<u>2,704</u>
Cash and cash equivalents at the end of the year/period	<u>629,319</u>	<u>718,187</u>	<u>955,643</u>	<u>923,619</u>	<u>767,768</u>

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Net Cash Generated from Operating Activities

In the six months ended June 30, 2023, our net cash generated from operating activities was RMB280.4 million, primarily due to profit before taxation of RMB201.6 million, and adjusted to add back (i) fair value change of convertible preferred shares of RMB83.4 million, (ii) fair value change of convertible redeemable preferred shares of RMB71.3 million, and (iii) share-based compensation expenses of RMB51.5 million. The amount was further adjusted by changes in working capital which primarily consisted of (i) decrease in other payables and accruals of RMB88.7 million, (ii) decrease in accounts payable of RMB40.3 million and (iii) decrease in trade and other receivables of RMB11.8 million.

In 2022, our net cash generated from operating activities was RMB711.1 million, primarily due to profit before taxation of RMB577.9 million, and adjusted to add back (i) share-based compensations expenses of RMB67.2 million, (ii) fair value change of convertible redeemable preferred shares of RMB64.1 million, and (iii) amortisation of intangible assets of RMB49.4 million. The amount was further adjusted by changes in working capital which primarily consisted of (i) a decrease in other payables and accruals of RMB50.6 million and (ii) an increase in contract liabilities of RMB34.5 million.

In 2021, our net cash generated from operating activities was RMB156.3 million, primarily due to loss before taxation of RMB2,484.9 million, and adjusted to add back (i) fair value change of convertible redeemable preferred shares of RMB1,326.3 million, (ii) fair value change of convertible preferred shares of RMB939.4 million, (iii) share-based compensation expenses of RMB167.2 million; (iv) amortisation of intangible assets of RMB39.9 million; and (v) depreciation of right-of-use assets of RMB22.7 million. The amount was further adjusted by changes in working capital which primarily consisted of (i) an increase in other payables and accruals of RMB137.2 million and (ii) an increase in accounts payable of RMB71.3 million.

In 2020, our net cash generated from operating activities was RMB258.1 million, primarily due to loss before taxation of RMB141.1 million, and adjusted to add back (i) fair value change of convertible preferred shares of RMB109.6 million, (ii) share-based compensation expenses of RMB108.2 million; (iii) fair value change of convertible redeemable preferred shares of RMB53.1 million; and (iv) amortisation of intangible assets of RMB24.7 million. The amount was further adjusted by changes in working capital which primarily consisted of (i) an increase in other payables and accruals of RMB71.5 million and (ii) an increase in contract liabilities of RMB42.2 million.

Net Cash Used in Investing Activities

In the six months ended June 30, 2023, our net cash used in investing activities was RMB257.8 million, primarily due to (i) purchase of investments in current financial assets at fair value through profit or loss of RMB985.2 million, (ii) increase in fixed bank deposits of RMB221.0 million, and (iii) payment for deposit for the acquisition of land use right of RMB208.5 million, partially offset by proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB1,129.6 million.

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In 2022, our net cash used in investing activities was RMB475.5 million, primarily attributable to (i) purchase of investments in current financial assets at fair value through profit or loss of RMB1,345.8 million, (ii) an increase in a fixed bank deposits of RMB199.6 million, and (iii) purchase of investments in non-current financial assets at fair value through profit or loss of RMB64.4 million, partially offset by proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB1,196.8 million.

In 2021, our net cash used in investing activities was RMB48.0 million, primarily attributable to (i) purchase of investments in current financial assets at fair value through profit or loss of RMB874.7 million, (ii) purchase of Esports licenses and contracts of RMB40.0 million, and (iii) purchase of investments in associates of RMB35.0 million, partially offset by (i) proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB675.5 million and (ii) repayment from loans to related parties of RMB284.0 million.

In 2020, our net cash used in investing activities was RMB316.5 million, primarily attributable to (i) loans to related parties of RMB284.0 million, (ii) payment for purchase of Esports licenses and contracts of RMB161.3 million, and (iii) purchase of investments in current financial assets at fair value through profit or loss of RMB60.0 million, partially offset by (i) proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB123.2 million and (ii) repayment from loans to related parties of RMB104.4 million.

Net Cash Generated from/(Used in) Financing Activities

In the six months ended June 30, 2023, our net cash used in financing activities was RMB213.2 million, primarily due to dividends paid of RMB197.3 million.

In 2022, our net cash used in financing activities was RMB34.2 million, primarily attributable to (i) principal elements of lease liabilities of RMB26.0 million, and (ii) repayment of borrowings of RMB20.0 million, partially offset by proceeds from borrowings of RMB20.0 million.

In 2021, our net cash used in financing activities was RMB3.8 million, primarily attributable to (i) repayment of borrowings of RMB126.5 million, (ii) a dividend paid of RMB91.5 million, and (iii) payment of repurchase of ordinary shares of RMB65.6 million, partially offset by proceeds from issuance of convertible redeemable preferred shares of RMB290.7 million.

In 2020, our net cash generated from financing activities was RMB609.3 million, primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares of RMB522.4 million, (ii) proceeds from issuance of convertible notes of RMB177.0 million, and (iii) proceeds from borrowings of RMB126.5 million, partially offset by (i) a dividend paid of RMB147.0 million and (ii) payment of repurchase of ordinary shares of RMB58.7 million.

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Working Capital

Our Directors are of the opinion that taking into account the estimated net proceeds from the De-SPAC Transaction and the expected cash generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this circular.

CAPITAL EXPENDITURES

Our principal capital expenditures primarily consist of payments for property and equipment and intangible assets.

The following table sets forth our capital expenditures for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Payments for property and equipment	10,864	34,239	8,898	6,039	1,135
Payments for intangible assets	186,889	72,607	6,890	6,224	10,330
Total	197,753	106,846	15,788	12,263	11,465

We expect to finance our capital expenditures through cash generated from operations and cash generated from our pre-Listing financing activities. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors. See also “Future Plans and Use of Proceeds – Use of Proceeds.”

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INDEBTEDNESS

During the Track Record Period, our indebtedness mainly consisted of borrowings, amounts due to related parties, lease liabilities, convertible redeemable preferred shares and convertible preferred shares. The following table sets forth details of our indebtedness as of the dates indicated:

		As of December 31, 2020	2021	2022	As of June 30, 2023	As of October 15, 2023
		<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current						
Borrowings	126,500	–	–	–	–	–
Amounts due to related parties	35,234	–	–	–	–	–
Convertible redeemable preferred shares		–	–	–	617,536	608,896
Lease liabilities	8,048	25,958	26,811	32,972	28,331	
Non-current						
Lease liabilities	13,145	103,659	76,849	57,217	52,289	
Convertible redeemable preferred shares	746,193	2,448,645	2,730,121	2,314,950	2,341,851	
Convertible preferred shares	314,726	1,234,924	1,362,112	1,500,243	1,531,428	
Total	1,243,846	3,813,186	4,195,893	4,522,918	4,562,795	

Borrowings

Our balance for borrowings was RMB126.5 million, nil, nil, nil and nil as of December 31, 2020, 2021, 2022, June 30, 2023 and October 15, 2023, respectively. The borrowings recorded in 2020 consist of RMB46.5 million of current and secured bank loan and RMB80.0 million current and unsecured bank loans. The bank loans guaranteed by related parties during the Track Record Period had all been released. For details, see Note 29 to the Accountant’s Report set out in Appendix I to this circular. As of Latest Practicable Date, we did not have any banking facilities.

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Amounts Due to Related Parties

As of December 31, 2020, we recorded amounts due to related parties of RMB35.2 million, and we did not record amounts due to related parties as of December 31, 2021, 2022, June 30, 2023 or October 15, 2023.

For details, see “– Discussion of Selected Items from the Consolidated Balance Sheets – Amounts Due to Related Parties.”

Lease Liabilities

Our lease liabilities are in relation to properties that we lease primarily for our office premises. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2020	2021	2022	June 30,	October 15,
				2023	2023
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Lease liabilities					
Current	8,048	25,958	26,811	32,972	28,331
Non-current	13,145	103,659	76,849	57,217	52,289
Total	21,193	129,617	103,660	90,189	80,620

Convertible Redeemable Preferred Shares and Convertible Preferred Shares

Convertible Redeemable Preferred Shares

As of December 31, 2020, 2021, 2022, June 30, 2023 and October 15, 2023, our convertible redeemable preferred shares had fair value of RMB746.2 million, RMB2,448.6 million, RMB2,730.1 million, RMB2,932.5 million and RMB2,950.7 million, respectively. For further information regarding our convertible redeemable preferred shares, see note 33 to the Accountant’s Report included in Appendix I to this circular. From June 30, 2023 to the Latest Practicable Date, we did not issue or repurchase any convertible redeemable preferred shares.

Convertible Preferred Shares

As of December 31, 2020, 2021, 2022, June 30, 2023 and October 15, 2023, our convertible preferred shares had fair value of RMB314.7 million, RMB1,234.9 million, RMB1,362.1 million, RMB1,500.2 million and RMB1,531.4 million, respectively. For further

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information regarding our convertible preferred shares, see note 34 to the Accountant’s Report included in Appendix I to this circular. From June 30, 2023 to the Latest Practicable Date, we did not issue or repurchase any convertible preferred shares.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment. Save as otherwise disclosed under sections headed “– Indebtedness” and “– Contractual Obligations,” we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of October 15, 2023, being the latest practicable date for our indebtedness statement. Our Directors confirm that, as of the Latest Practicable Date, there had been no material change in our indebtedness since October 15, 2023.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2020, 2021, 2022, June 30, 2023 and October 15, 2023, respectively. Except as disclosed above, as of October 15, 2023, being the indebtedness date for the purpose of the indebtedness statement, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since October 15, 2023 and up to the Latest Practicable Date.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2020, 2021, 2022 and June 30, 2023, the Group had no material capital commitments.

For details of capital commitments, see Note 37 to the Accountant’s Report set out in Appendix I to this circular.

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Operating Leases

We lease various offices under non-cancellable operating leases expiring within two months to six years. We have recognized right-of-use assets for these leases, except for short-term and low-value leases, see Note 15 to the Accountant’s Report in Appendix I to this circular for further information. The following table sets forth our operating lease commitments as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Office	2,441	726	3,071	1,245

KEY FINANCIAL RATIO

We believe that total revenue growth, total gross margin and adjusted net margin (a non-IFRS measure) can provide an important measure of the efficiency of our operations over time. The following table sets forth a summary of our total revenue growth, total gross margin and adjusted net margin (a non-IFRS measure) for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
Total revenue growth (%)	78.6	76.1	29.3	–	(1.9)
Total gross margin (%) ⁽¹⁾	65.0	57.2	54.2	54.1	54.9
Adjusted net margin (a non-IFRS measure) (%) ⁽²⁾	10.1	4.2	19.6	17.5	24.0

Notes:

- (1) Total gross margin equals gross profit divided by revenues for the period.
- (2) Adjusted net margin represents adjusted net income as a percentage of revenues of such period. For details of the adjusted net margin, see “– Non-IFRS Measures – Adjusted Net Income and Adjusted Net Margin.”

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Revenue Growth

Our revenue growth decreased from 76.1% in 2021 to 29.3% in 2022, and our revenue decreased by 1.9% in the six months ended June 30, 2023 compared to the same period in 2022. See “– Discussion of Results of Operations” in this section for the analysis on our revenue growth.

Gross Margin

Our gross margin decreased from 65.0% in 2020 to 57.2% in 2021 and further to 54.2% in 2022. Our total gross margin remained stable at 54.9% in the six months ended June 30, 2023, compared with 54.1% in the same period of 2022. See “– Discussion of Results of Operations” in this section for the analysis on our revenue growth.

Adjusted Net Margin (a non-IFRS measure)

Our adjusted net margin, a non-IFRS measure, was 10.1%, 4.2%, 19.6%, 17.5% and 24.0% in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. See “– Non-IFRS Measures – Adjusted Net Income and Adjusted Net Margin” in this section for the analysis on our adjusted net margin.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS AND BALANCES

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 38 to the Accountant’s Report included in Appendix I to this circular 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 are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

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QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

Our activities expose us to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and security price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management.

Market Risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of our subsidiaries. We manage our foreign exchange risk by minimizing non-functional currency transactions.

We operate mainly in the PRC with most of the transactions settled in RMB. As of December 31, 2020, 2021, 2022 and June 30, 2023, we were exposed to foreign exchange risk primarily with respect to the potential effects on profit or loss from translation of intercompany balances which are not denominated in the functional currency of the relevant group companies and US\$ forward contract which does not qualify for hedge accounting. RMB depreciation against US\$ during the year is the major reason for the exchange differences recognised by us. Further depreciation of US\$ against RMB will affect the our financial position and results of operations.

(ii) Interest rate risk

Except for bank deposit at variable interest rate, bank and time deposits, loan receivables, and amounts due from related parties at fixed interest rate, we have no other significant interest-bearing assets.

Our exposure to changes in interest rates is mainly attributable to its bank borrowings and convertible notes which are at fixed interest rate. The interest rate and terms of repayments of borrowings and convertible notes are disclosed in “Borrowings” and “Convertible Redeemable Preferred Shares and Convertible Preferred Shares,” respectively.

We have not hedged our cash flow and fair value interest rate risk.

Our management does not anticipate significant impact to the convertible redeemable preferred shares, convertible preferred shares and bank borrowings resulted from the changes in market interest rates. Moreover, given the stability of the interest rate in the recent financial market, in the opinion of our Directors, the exposure of the convertible preferred shares and bank borrowings to fair value interest rate risk is considered to be low. Therefore, no sensitivity analysis is performed.

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Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rate because the interest rates of bank deposits are not expected to change significantly.

(iii) Price risk

We are exposed to security price risk in respect of the financial assets measured at fair value through profit or loss. We are generally not exposed to commodity price risk. To manage our price risk arising from the investments, we diversify our investment portfolio.

Credit Risks

Credit risk mainly arises from cash and cash equivalents, restricted cash, fixed bank deposits, trade receivables, other receivables and amounts due from related parties. The carrying amount of these financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Trade and other receivables are managed on a group basis. The finance team is responsible for managing and analyzing the credit risk for each new debtor before payment terms are offered. We assess the credit quality of our customers and other debtors by taking into account various factors including their financial position, past operational and financial performance and other factors.

Cash and cash equivalents, restricted cash, and fixed bank deposits are mainly placed with reputable PRC and international financial institutions within PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

Liquidity Risks

We intend to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, our policy is to regularly monitor our liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents, short-term time deposits and investments in wealth management products or to retain adequate financing arrangements to meet the our liquidity requirements.

For more information about our financial risks, see the Accountant's Report included in Appendix I to this circular.

FINANCIAL INFORMATION OF THE TARGET GROUP

DIVIDEND AND DIVIDEND POLICY

For the year ended December 31, 2020 and 2021, Guangzhou Quwan has declared special dividends approximately of RMB112.0 million and RMB 230.0 million, respectively. No dividends have been paid or declared by the Target Company during the year ended December 31, 2022. On January 9, 2023, the Target Company declared interim dividends of US\$29.3 million, of which US\$29.1 million had been settled in cash as of the Latest Practicable Date. For details, see Note 26 to the Accountant’s Report set out in Appendix I to this circular.

On December 8, 2023, the Target Company declared interim dividends of HK\$300 million which is intended to be paid out of the amount standing at the credit of the share premium account based on its audited consolidated financial statements as at June 30, 2023.

Such dividends are expected to be funded by internal resources of the Successor Group and will be paid before the Listing. None of the net proceeds from the De-SPAC Transaction will be used to fund such dividends.

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 be paid only out of the profit for the year determined according to PRC accounting principles. 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 until the aggregate amount of such fund reaches 50% of its registered capital, which are not available for distribution as cash dividends. 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.

Subject to compliance with the relevant laws and regulations, we may consider to distribute dividends to our Shareholders in the amount of RMB300 million in the year ending December 31, 2024, and on an annual basis of 40% of net profit for the previous financial years in the years ending December 31, 2025 and 2026. However, 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 conditions, 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 Target Company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase our shares with the expectation of receiving cash dividends.

DISTRIBUTABLE RESERVES

The Target Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 29, 2019 under the Companies Act. Please refer to Notes 24 to the Accountant’s Report as set out in Appendix I to this circular for details of the Target Company’s reserves.

FINANCIAL INFORMATION OF THE TARGET GROUP

LISTING EXPENSES

Total listing expenses of the Target Group upon completion of the De-SPAC Transaction are estimated to be RMB[120] million, including PIPE Investment placement commission and incentive, assuming PIPE Investment amount of HK\$[576] million, being [100]% of Vision Deal Class A Shareholders exercise redemption rights with respect to their Vision Deal Class A Shares. Up to June 30, 2023, total listing expenses of the Target Group of RMB[55] million were incurred. The rest of the listing expenses after June 30, 2023 are to be borne by the Target Group, of which RMB[53] million is expected to be charged to our consolidated income statement, and RMB[12] million is expected to be accounted for as a deduction from equity upon the consummation of the De-SPAC Transaction. The listing expenses above are the latest practicable estimates for reference only, and the actual amount may differ from these estimates.

The above-mentioned estimation of the total listing expenses of the Target Group upon completion of the De-SPAC Transaction of RMB[120] million does not include the (i) deferred underwriting commission accrued by Vision Deal in the amount of HK\$35.0 million (equivalent to RMB32.3 million) and (ii) other transaction costs of RMB[8.6] million accrued by Vision Deal in connection with the De-SPAC Transaction.

PROFIT/(LOSS) ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2023⁽¹⁾

Directors of the Target Company estimate, on the bases set out in Appendix IIIA to this circular, and in the absence of unforeseen circumstances, the estimated consolidated profit of our Group and unaudited pro forma estimated profit per Share for the year ended December 31, 2023 as follows:

Estimated consolidated profit of our Group for the year ended December 31, 2023 attributable to:

	No less than RMB' million
Owners of the Target Company	[●]
Unaudited pro forma estimated basic and diluted profit per Share for the year ended December 31, 2023 ⁽²⁾⁽³⁾⁽⁴⁾	[●]

Notes:

- (1) The profit/(loss) estimate, for which Directors of the Target Company are solely responsible, has been prepared by them based on (i) the audited consolidated results of the Target Group for the [nine months ended September 30, 2023] and (ii) the unaudited consolidated results based on the management accounts of the Target Group for the [three months ended December 31, 2023]. The profit/(loss) estimate has been prepared on a basis consistent in all material respects with the accounting policies that we normally adopt as set out in the Accountant's Report, the text of which is set out in Appendix I to this circular.

FINANCIAL INFORMATION OF THE TARGET GROUP

- (2) The unaudited pro forma estimated profit per Share for the year ended December 31, 2023 has been prepared in accordance with paragraph 4.29(1) of the Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the De-SPAC Transaction, as if such transaction had taken place on January 1, 2023. The unaudited pro forma estimated profit per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial results following the De-SPAC Transaction.
- (3) The calculation of the unaudited pro forma estimated profit per Share is based on the estimated consolidated profit attributable to ordinary shareholders of the Target Company for the year ended December 31, 2023 and assuming a weighted average of [●] Shares in issue during the year ended December 31, 2023 and the De-SPAC Transaction had been completed on January 1, 2023 without taking into account of any Shares which (i) which may be issued under the 2020 Plan; or (ii) any Shares may be allotted and issued or repurchased by the Target Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Target Company; or (iii) the conversion of the Preferred Shares; or (iv) the vesting of any unvested options. The estimated consolidated profit attributable to ordinary shareholders of the Target Company for the year ended December 31, 2023 has not taken into account any interest income that would have been earned if the proceeds from the De-SPAC Transaction had been received by the Target Company on January 1, 2023.
- (4) The computation of the unaudited pro forma estimated diluted profit per Share for the year ended December 31, 2023 has not considered the effect of the share options awarded under the 2020 Plan, the unvested restricted share or the conversion of our Preferred Shares into ordinary shares as their inclusion would be anti-dilutive.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this circular, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2023, the end of the period reported on the Accountant’s Report included in Appendix I to this circular.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

INDUSTRY OVERVIEW OF THE TARGET GROUP

In this section, “we,” “us” or “our” refer to Quwan Holding Limited (趣丸集团) (the “Target Company”), its subsidiaries, and Consolidated Affiliated Entities (together, the “Target Group”). The information and statistics set out in this section and other sections of this circular were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the De-SPAC transaction. We believe that the sources of these information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Such information and statistics have not been verified by us, Vision Deal, or any of our or their respective directors and advisors, the Sole Sponsor, the Sole Sponsor-Overall Coordinator or any other persons or parties involved in the De-SPAC transaction, and no representation is given as to its accuracy. For discussions of risks relating to our industries, see “Risk Factors – Risks Relating to the Target Group’s Business and Industry.”

EVOLVING MOBILE SOCIAL NETWORKING INDUSTRY IN CHINA

The mobile social networking industry in China has been undergoing rapid development. The market size of the mobile social networking industry in China has grown from RMB122.6 billion in 2018 to RMB298.2 billion in 2022, with a CAGR of 24.9% and is estimated to grow at the CAGR of 14.5% over the next 5 years and reach RMB586.8 billion by 2027, primarily driven by the growth of mobile social users, the rising paying power and willingness of younger users and the penetration of vertical social network platform. The mobile social networking market in China is relatively diversified with a spectrum of social networking products ranging from acquaintance-based to stranger-based.

As an extension of existing offline relationships, such as families, friends and business acquaintances, acquaintance-based mobile social networking is a major force of China’s mobile social networking industry. Unlike acquaintance-based mobile social networking which features an extension of existing family, leisure and professional relationships from offline to online, people develop new relationships with strangers based on common interests or shared passions in certain hobbies and topics through online platforms in stranger-based mobile social networking. In recent years, with the increasing number of internet users which released huge socialization demand and the development of innovative interactive features and matching mechanisms, stranger-based social networking has emerged and has been growing rapidly, mainly consisting of appearance-centric and interest-driven platforms.

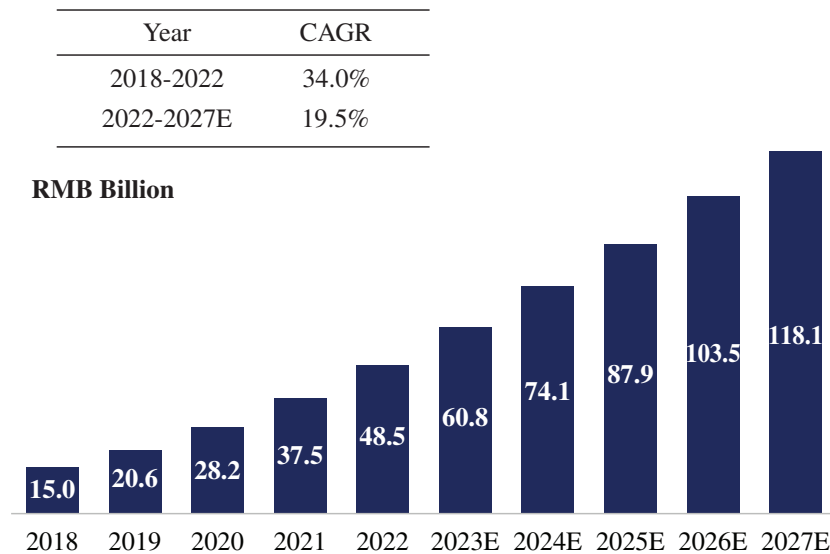
INDUSTRY OVERVIEW OF THE TARGET GROUP

While appearance centric platforms are often related to building romantic relationships, interest-driven social platforms are distinctively positioned to help form interest-driven social network, connecting same-minded people who are more likely to build long-lasting and highly interactive relationships through identifying and tagging users by characteristics and grouping them based on interests.

With strong positioning of social products and focus on specific categories, interest-driven social platforms can match users with similar interests efficiently and promote the retention and precipitation of social relationships. Such categories include game-centric socializing, lifestyle sharing, personality matching, among others. In addition to providing one-to-one or many-to-many interactive scenarios, some interest-driven social products have also expanded service offerings, such as live broadcast services, advertising services, and e-commerce services to increase profitability.

The market size of China’s interest-driven mobile social networking market, in terms of revenues, reached RMB48.5 billion in 2022 and is expected to grow at a CAGR of 19.5% to reach RMB118.1 billion in 2027, driven by the rapid growth in the interest-driven mobile social networking user base, increasing purchasing power and willingness to pay of these users, and enhanced commercialization of interest-driven social networking platforms. Historical and future market sizes of China’s interest-driven mobile social networking market are illustrated in the below chart.

**China’s Interest-driven Mobile Social Network Market Size by Revenue
(in RMB Billions), 2018 – 2027E**



Source: Frost & Sullivan

INDUSTRY OVERVIEW OF THE TARGET GROUP

Rising Mobile Voice-based Social Network Industry in China

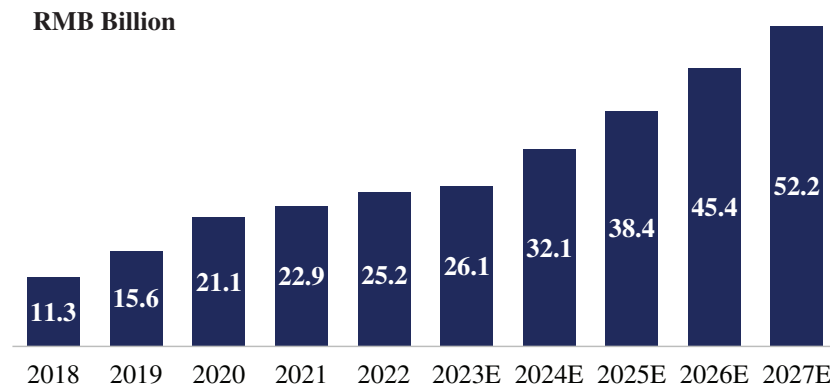
China’s interest-driven mobile social network products could be categorized by multiple dimensions, such as relationship, media and scenario. Using media as classification, text and graphics, voice and video are the main application media in the interest-driven mobile social interaction market, according to Frost & Sullivan. Voice interaction is the most natural way of communication in different scenarios, therefore mobile voice-based social network platforms could involve different interest groups and interacting scenarios such as gaming, entertaining, free-talk, etc.

Mobile voice-based social network platforms primarily facilitate voice-based interactions among users via different interactive functions and entertainment scenarios such as voice chatrooms, audio streaming, online karaoke, among others. In 2022, mobile voice-based social network platforms represented 51.9% of market shares in interest-driven mobile social network in China, in terms of revenues, with the remaining 48.1% attributable to text and video-based mobile social networking platforms.

Mobile voice-based social network is a fast-growing industry in China with huge growth potentials. In 2022, the size of Chinese mobile voice-based social network market in terms of revenues reached RMB25.2 billion, which is expected to grow at a CAGR of 15.7% to reach RMB52.2 billion in 2027. The total mobile voice-based social network user base was 158.8 million in 2022, up from 69.5 million in 2018, and is expected to further grow to 262.2 million in 2027, as set forth below:

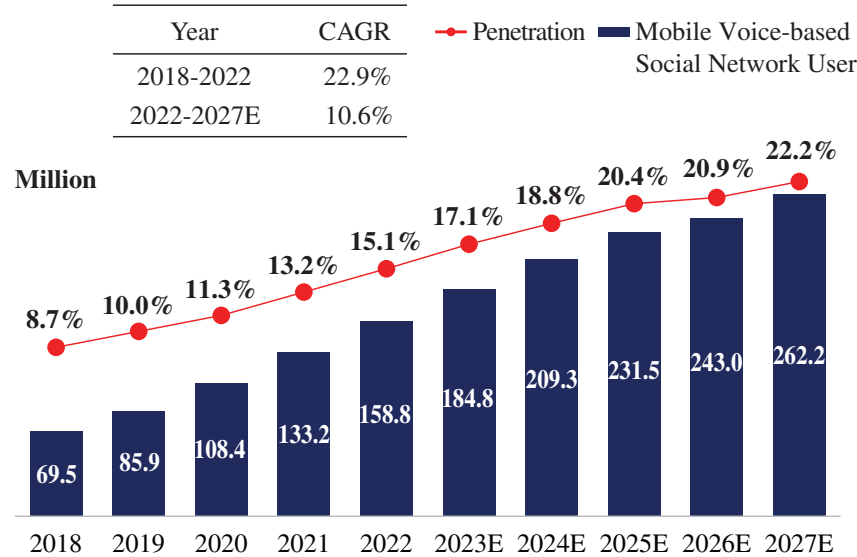
**Chinese Mobile Voice-based Social Network Market Size by Revenue
(in RMB billions), 2018 – 2027E**

Year	CAGR
2018-2022	22.3%
2022-2027E	15.7%



INDUSTRY OVERVIEW OF THE TARGET GROUP

Chinese Mobile Voice-based Social Network User Base and Penetration (2018-2027E)



Source: Frost and Sullivan, China Internet Network Information Centre (CNNIC)

The strong growth in Chinese mobile voice-based social network market can be attributed to the below factors:

- Strong desire for building deeper and longer-lasting social connections.* Voice-based interactions have become increasingly popular among users who wish to connect with others in a more genuine way to establish genuine and lasting relationships. They prefer expressing themselves via voice as they consider it to be more genuine emotional expression and more secure as it leaves no trails, unlike photos and texts. A number of mobile voice-based social network platforms have therefore emerged to address such needs. These platforms enable voice-based interactions under different scenarios to facilitate relationship building, such as in-app casual social games, role-play dubbing and dating.
- Growing needs for real-time interactions.* With high smartphone ownership and advancement in mobile internet technology, users are increasingly looking for ways to stay connected and accompanied via their smartphones. Mobile voice-based social network platforms have therefore been gaining popularity as voice can generate a greater sense of companionship compared with photos and texts. These platforms have combined voice-based interactions with other social networking and entertainment features such as Esports gaming and online karaoke to cater to such user demand in an increasing number of scenarios and use cases.

INDUSTRY OVERVIEW OF THE TARGET GROUP

- *Diversified and effective monetization methods.* Mobile voice-based social network platforms are, on the one hand, introducing innovative features and functionalities to encourage users’ consumption of virtual items. These platforms are also exploring varied monetization methods such as paid memberships and advertising services. With such varied and effective monetization methods, the mobile voice-based social network industry in China is expected to record continuous growth in the next few years.

Platforms in Chinese mobile voice-based social network market can focus on different scenarios to initially penetrate the desired target users. Such scenarios include gaming, music & karaoke, personality matching and audio content, which took up 66.8%, 14.2%, 11.3% and 5.7% of the market shares of mobile voice-based social network platforms in China in terms of revenues in 2022, respectively.

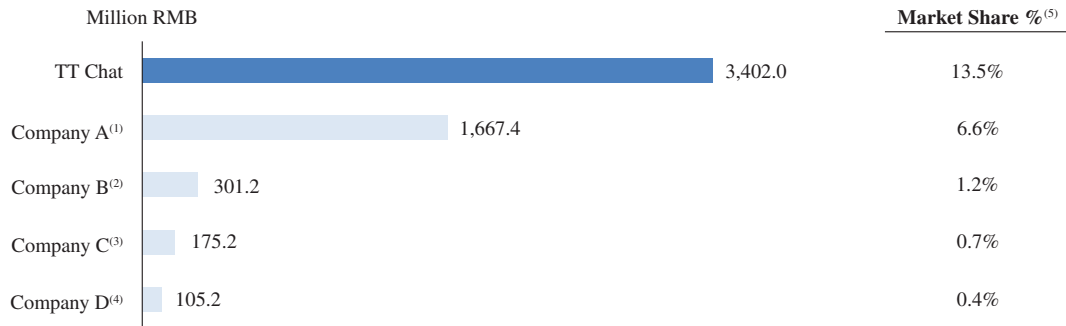
Voice-based interactions serve as the best medium, particularly for interest-driven, mobile social network platforms, as opposed to appearance-centric social networking platforms where user interactions are mostly based on photos and text messages, due to their advantages as follows:

- *Natural and genuine relationships:* Chatting is one of the most natural forms of social interaction, particularly during gameplay. Voice-based interactions can therefore ease the bashfulness and mental strain that usually comes with photo- or video-based social networking, for cultural or privacy reasons. It is effective in creating a strong affinity and building connections between people.
- *Minimal efforts:* Voice requires the least effort compared with typing texts, taking photos or creating videos. Voice-based social networks has the lowest barrier for people to engage in interaction with others.
- *Ubiquity:* Voice-based interactions can be carried out anytime and anywhere without occupying one’s attention completely, allowing for multi-tasking. For example, gamers can interact via voice with their game buddies while they focus on the gameplay. Implicitly, mobile voice-based social network platforms do not necessarily compete directly with other apps for users’ time spent or attention span.
- *Efficient and real-time communications:* Voice-based interactions are real-time, and often more direct and accurate, making the social environment more conducive for relationship building. Because of such nature, voice is the dominant form of users’ interactions in games and Esports where conveying messages to teammates as quickly as possible is critical to an enjoyable gaming co-experience.

INDUSTRY OVERVIEW OF THE TARGET GROUP

Competitive Landscape of Mobile Voice-based Social Network Platforms

We are the leading mobile voice-based social network platform in China, as measured by revenues in 2022. The following chart illustrates the top five mobile voice-based social network platforms in China in terms of revenues in 2022:



Source: Frost & Sullivan

- (1) Company A, founded in 2016, is a virtual voice social app that provides services including voice social interaction, stranger matching, group chat parties, Giftmoji, etc.
- (2) Company B, founded in 2014, is a voice social app covering a variety of mainstream game entertainment, providing services including online team games and entertainment interaction.
- (3) Company C, founded in 2017, is a virtual voice social software that provides services including watching movies online, listening to songs online, playing games online, and chatting online.
- (4) Company D, founded in 2016, is an online real-time voice-interactive social software that provides services including finding teammates in teams, game events, live voice broadcasts, magic and funny emoticons, etc.
- (5) Based on the estimated size (in terms of revenue) of Chinese mobile voice-based social network market for 2022.

Entry Barriers for Chinese Mobile Voice-based Social Network Market

- *Real-time voice technology.* The real time voice technology is the fundamental technology of mobile voice-based social network platforms. It is key to enabling instant, clear and stable communication among users. Platforms which have the technological infrastructure to accommodate a growing amount of voice interaction without negatively affecting user experience will be preferred by users.
- *User retention.* In order to retain users, complementary scenarios need to be created to encourage voice-based interactions, such as in-app casual social games and karaoke. Market players which can achieve seamless integration with such scenarios are expected to provide better social experience, thus higher user retention.
- *Content monitoring capability.* Voice-based interaction creates difficult technical hurdles in terms of content monitoring because it cannot be analyzed or interpreted like texts or images. Platforms are required to establish multiple layers of machine-based screening and manual reviews to ensure effective and timely content management.

INDUSTRY OVERVIEW OF THE TARGET GROUP

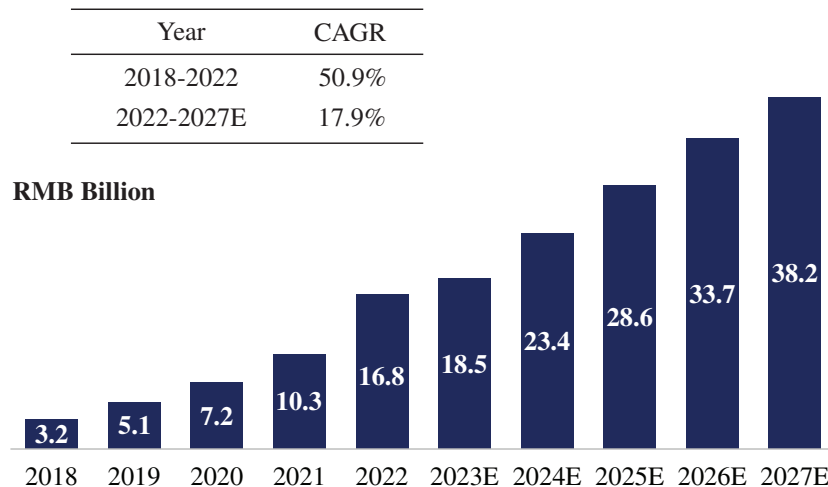
Fast-Growing Mobile Gamer-based Social Network Industry in China

Interest-driven mobile social platforms can screen users in specific circles by strengthening product positioning and deep ploughing in vertical fields, so as to increase the efficiency of matching among users and to accelerate the formation and precipitation of relationship chains. There are various types of subdivision tracks in the field of interest social networking, such as social networking for gamers.

Mobile gamer-based social network platforms facilitate relationship building and social interactions primarily among gamers by providing functionalities that improve gameplay experience such as game buddy matching, coaching and voice chats, as well as other entertainment and interactive features. Such mobile gamer-based social network platforms primarily generate revenues from providing value-added services, such as virtual gifting, coaching, memberships and advertising. Since voice-based interactions are highly compatible with Esports gameplay, some mobile gamer-based social network platforms are centered on voice-based features. In 2022, mobile gamer-based social network platforms represented 34.6% of market shares in interest-driven mobile social network in China, in terms of revenues.

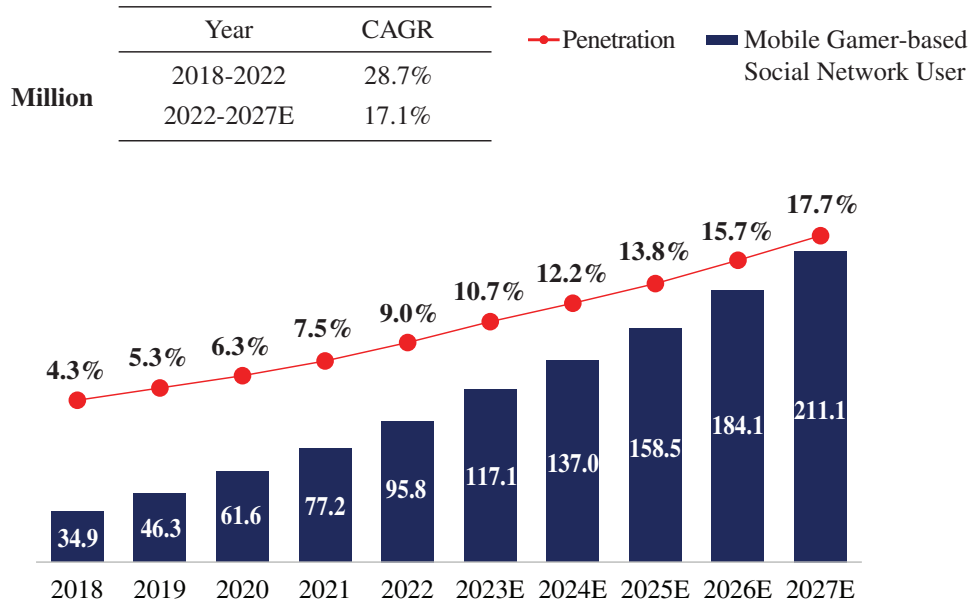
The size of the mobile gamer-based social network market in China in terms of revenues reached RMB16.8 billion in 2022, and is expected to grow at a CAGR of 17.9% to RMB38.2 billion in 2027. The total user base of mobile gamer-based social network reached 95.8 million in 2022, up from 34.9 million in 2018, and is expected to further grow to 211.1 million in 2027, as set forth below:

**Chinese Mobile Gamer-based Social Network Market Size by Revenue
(in RMB Billions) and Total User Base, 2018 – 2027E**



INDUSTRY OVERVIEW OF THE TARGET GROUP

Chinese Mobile Gamer-based Social Network User Base and Penetration (2018-2027E)



Source: Frost & Sullivan

Key growth drivers of Chinese mobile gamer-based social network market include:

- Growing mobile gamer base:* With the advancement in mobile technology, including the improved accessibility of mobile internet and affordability of mobile devices, mobile entertainment has become increasingly popular among Generation Z. Notably, mobile games have thrived in the online game industry, quickly surpassing PC games in terms of market size. With this favorable trend, the mobile gamer base has been growing rapidly as more people are attracted to mobile games because of their accessibility and the social elements embedded in such competitive games. This massive, growing mobile gamer base has become the major target user group of mobile gamer-based social network platforms.
- Increasing need for teamwork in mobile games:* There is an industry trend that game developers tend to design mobile games to encourage teamwork and competition among multiple players, as opposed to single player games, to cultivate social connections among gamers, which in turn will improve players’ stickiness to the game. Most mobile gamers need effective real-time communication and seamless collaboration with teammates who have compatible skill levels and playing styles in order to excel in such games. To meet such demand for collaboration in gameplay, the mobile gamer-based social network platforms offer accurate game buddy matching based on the skill levels and other relevant attributes to meet gamers’ demand for connection with suitable game buddies. In addition, mobile gamer-based social network platforms offer a broad range of socializing features such as instant messaging and virtual gifting to further extend the relationships among gamers beyond the gaming context.

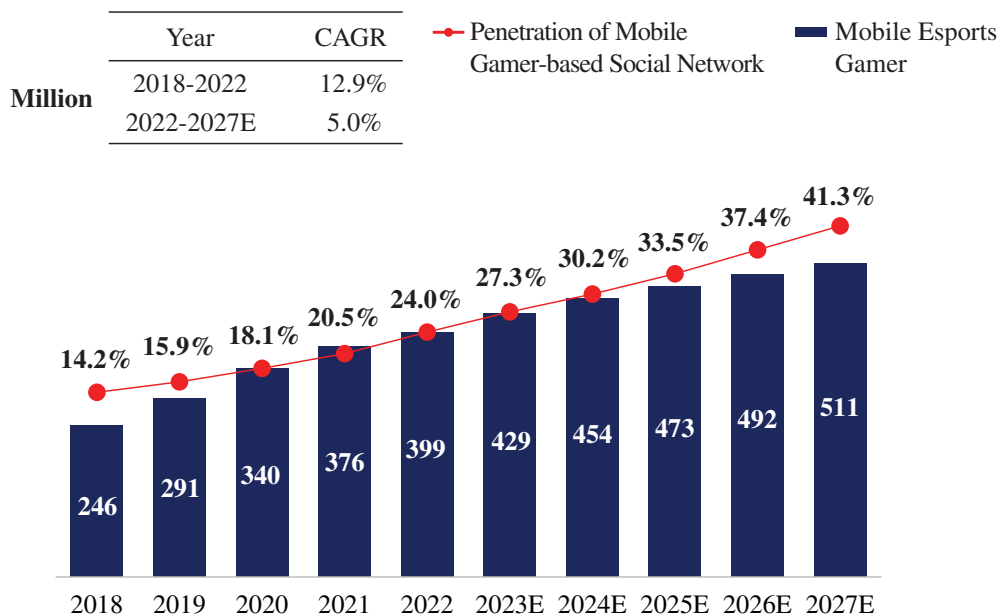
INDUSTRY OVERVIEW OF THE TARGET GROUP

- Continued improvement and innovation in product features and user experience:* As the user base and penetration for mobile gamer-based social network continuously increase, user needs are becoming increasingly diversified. To meet such evolving user needs, platforms will continue to introduce new features and functionalities that offer better gaming and social networking experience. Enhanced user experience will, in turn, improve retention of existing users and attract new users, resulting in a virtuous cycle driving the growth of the mobile gamer-based social network market.
- Application of new technologies for more accurate matching:* By utilizing advanced algorithms to analyze user profiles and behaviors, mobile gamer-based social network can leverage their large and engaged user base to continuously enhance their user matching algorithms. Accurate and efficient matching is the key to attracting more gamers to use these social networking platforms, which is conducive to a more comprehensive matching database and a more effective matching engine.

Growth of Mobile Gamer-based Social Network Industry Driven by Increasing Popularity of Esports

Mobile Esports games represent a massive market in China with over 399 million mobile Esports gamers, which refers to people who play Esports games on mobile devices in 2022. Driven by the growing accessibility of mobile Esports games, and intensified demand for entertainment, the number of mobile Esports gamers is expected to increase to 511 million in 2027 in China, representing 43.2% of China’s social network user base. The penetration of the mobile gamer-based social network platforms among China’s mobile Esports gamer population reached 24.0% in 2022, and is expected to further grow to 41.3% in 2027.

Chinese Mobile Esports Gamer Scale and Penetration (2018-2027E)



Source: Frost & Sullivan, CADPA (China Audio-video and Digital Publishing Association)

INDUSTRY OVERVIEW OF THE TARGET GROUP

Esports gamers are an important driving force of the mobile gamer-based social network industry, because of their following attributes:

- *Digital natives with long time spent online:* In 2022, 57.5% of mobile Esports gamers in China are aged between 18 and 30, who have long been accustomed to the mobile internet, including social networking and entertainment, with substantial time spent on such platforms and services. Esports gamers in China spent an average of 380 minutes per day online in 2022.
- *Rising purchasing power with high willingness to pay:* With the widespread adoption of mobile payment, increased variety of Esports games available in the market and rising spending power, more and more Esports gamers are increasing their spending on not just the Esports games, but also value-added services and social entertainment services offered by mobile gamer-based social network, such as virtual gifting, and membership services to enhance their gameplay experience and satisfy their social networking needs.
- *Increasing demand for superior gaming co-experience and companionship:* Esports gamers tend to have a burgeoning demand for online social interactions and personal relationships to ease their loneliness as most of them are the only child in their family. In addition, many of them become Esports gamers because they enjoy the collaborative and competitive nature of Esports, which require effective teamwork with other gamers who have compatible skill levels and playing styles. Mobile gamer-based social network platforms serve as an attractive channel for Esports gamers to easily form and maintain new connections with and beyond their favorite online games, through a variety of interactive and innovative social entertainment features and scenarios.

Riding on the growth of the mobile Esports game industry and Esports gamers’ unique behaviors, mobile gamer-based social network have been on the rise in China. These platforms offer various services and features to address the specific needs of Esports gamers, including companionship, coaching, in-game communications. Such features enhance interactions among Esports gamers and boost stickiness.

Mobile Gamer-based Social Networks as Independent Third-party Platforms

Compared with the communication features embedded in mobile Esports games, mobile gamer-based social network platforms serve as independent third-party platforms to provide the following extra benefits:

- *Personalized, insight-driven matching of game buddies:* Compared with in-game communication tools in mobile Esports games, mobile gamer-based social network utilize more sophisticated data analytics and machine learning to match Esports gamers of similar skill levels, playing styles and other gaming-centric attributes for team play to enhance the gaming co-experience.

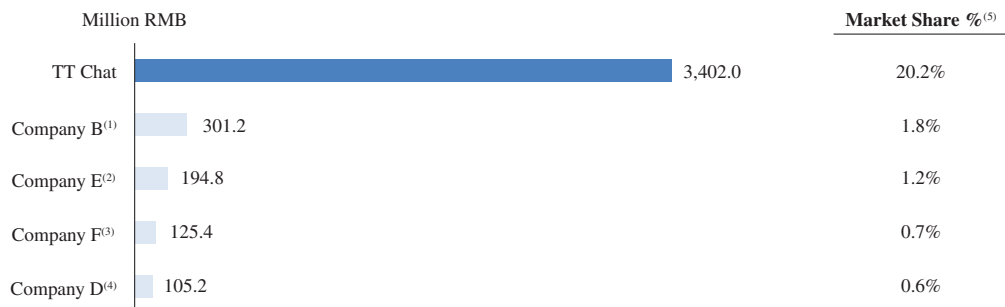
INDUSTRY OVERVIEW OF THE TARGET GROUP

- Diversified social and interactive features:* In addition to in-game communication functionalities provided by the mobile Esports games, mobile gamer-based social network platforms often offer additional features that allow Esports gamers to socialize, build and maintain relationships outside of the gaming context. Such features include virtual gifting, in-app casual social games, audio streaming, and messaging and moments.
- One-stop solution for multiple popular online games:* Mobile gamer-based social network usually covers the majority of popular Esports games, and is able to add new ones which have amassed a large number of Esports gamers under their coverage quickly. Esports gamers can keep their gaming preferences, list of teammates and chat history in one place for a more immersive experience.

With these advantages, Esports gamers are increasingly drawn to mobile gamer-based social network to find game buddies and establish long-lasting social relationships with each other within and beyond the gaming context. Moreover, leveraging their large user base and voice-based interactive features, mobile gamer-based social network is expanding its service offerings into a variety of non-gaming contexts and interests, such as lifestyle, entertainment, travel, among others, with a view to further enrich user experiences and increase their loyalty to the platforms. These platforms are also engaged in Esports and online game distribution. Through such expansion, mobile gamer-based social network are well-positioned to better serve their evolving user needs and take advantage of new monetization opportunities.

Competitive Landscape of Mobile Gamer-based Social Network Platforms

We are the leading mobile gamer-based social network platform in China, as measured by revenue in 2022. The following chart illustrates the top five mobile gamer-based social network platforms in China in terms of revenues in 2022:



Source: Frost & Sullivan

INDUSTRY OVERVIEW OF THE TARGET GROUP

- (1) Company B, founded in 2014, is a voice social app covering a variety of mainstream game entertainment, providing services including online team games and entertainment interaction.
- (2) Company E, founded in 2014, is a game social app for meeting and making friends, providing the most popular party games and other services.
- (3) Company F, founded in 2015, is an online entertainment social platform and game social app. It provides dozens of high-quality casual games, as well as rich entertainment and social services such as live voice broadcast and squares
- (4) Company D, founded in 2016, is an online real-time voice-interactive social software that provides services including finding teammates in teams, game events, live voice broadcasts, magic and funny emoticons, etc.
- (5) Based on the estimated size (in terms of revenue) of Chinese mobile gamer-based social network market for 2022.

Entry Barriers for China’s Mobile Gamer-based Social Network Market

- *Gamer relationship chains.* Existing relationship chains among gamers are vital assets for mobile gamer-based social network platform. Platforms that have established a large gamer base and strong relationships among gamers are expected to take the lead in the mobile gamer-based social network market. This is because new users are more attracted to such platforms to build connections and existing users are less likely to switch to other platforms.
- *Matching functions.* One of the key features of mobile gamer-based social network platform is to help gamers find the right game buddies to elevate their gaming experience. Accurate game buddy matching requires sophisticated algorithms and engines which are continuously enhanced by leveraging a large user base and active user behavior. It is therefore difficult for new platforms to provide effective matching from scratch.
- *Social and entertainment offerings.* Given the varying social and entertainment needs of gamers, the ability to expand use cases beyond the gaming context, cover more topic categories and encourage higher-quality interactions among users is important for market players to acquire and retain users.

Global Opportunities for Chinese Mobile Social Networking Platforms

Driven by the universal need for social connections and the continued advancement in technology and product features, the global mobile social networking market has witnessed considerable growth in recent years. The global mobile voice-based social network market is expected to record fast growth with a 19.1% CAGR from US\$37.1 billion in 2022 to US\$88.9 billion in 2027. The global mobile gamer-based social network market reached US\$22.5 billion in 2022, and is expected to grow at a CAGR of 16.8% to US\$48.8 billion in 2027. This market is relatively fragmented with a few mid-size players and a number of small players. Such competitive landscapes present meaningful growth opportunities for new entrants with compelling product offerings and operational know-how accumulated from their operations and success in the vast Chinese market.

INDUSTRY OVERVIEW OF THE TARGET GROUP

Leveraging the core competence developed via local operations, a number of leading Chinese online social networking platforms are expanding into overseas markets by localizing their businesses to cater to the specific needs and preferences of overseas users in these markets, and some of them have made notable achievements. Likewise, leading Chinese mobile voice-based social network platforms are expanding in the global mobile social networking market. With their proven business models, ability to capture untapped local opportunities in certain overseas markets, and supply of high-skilled talents, such leading platforms are well-positioned to capture the growth opportunities in overseas social networking markets across gaming and non-gaming segments and user bases.

Challenges Faced by Chinese Mobile Social Networking Platforms

With the development of technology and constant shifts in people’s lifestyles, the mobile social networking industry in China has been undergoing rapid and robust changes in recent years. The cost components of mobile social networking platforms mainly include (i) labor costs associated with technology and content professionals, and (ii) technology costs such as bandwidth costs and data storage costs. The labor costs have been steadily increasing over time with the socioeconomic development and heavier reliance on professional technological and content talents by the internet industry in general, while in contrast, the technology costs have been steadily decreasing over time with the technological progress made in internet infrastructure.

SOURCES OF INFORMATION

In connection with the De-SPAC Transaction, we have engaged Frost & Sullivan, an independent market research consulting firm to conduct a detailed analysis and prepare an industry report on the market in China for (i) the mobile voiced-based social & interaction and (ii) the mobile gamer-based social network. Frost & Sullivan is an independent global consulting firm founded in the United States in 1961. It is principally engaged in the provision of market research consultancy services, conducting industry research and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of RMB1.1 million in fees and expenses in connection with the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent on our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the De-SPAC Transaction.

We have extracted certain information from the Frost & Sullivan Report in this section and elsewhere in this circular to provide a comprehensive presentation of the markets in which we operate. We believe such information facilitates an understanding of such markets for potential investors. Our Directors confirm that, after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

INDUSTRY OVERVIEW OF THE TARGET GROUP

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on industry trends of the target research markets. Primary research involved interviewing industry insiders such as leading market players, suppliers, customers and recognized third-party industry associations. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database. Frost & Sullivan has independently verified the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of assumptions used and the choice of primary and secondary sources.

The Frost & Sullivan Report was compiled based on the following assumptions: that (a) the social, economic and political environment in China will remain stable during the forecast period and (b) the growth of mobile voice-based social & interaction and gamer-based social network markets in China remains healthy.

REGULATIONS APPLICABLE TO THE TARGET GROUP’S BUSINESS AND OPERATIONS

This section sets forth a summary of the principal PRC laws and regulations relevant to Target Group’s business and operations in China.

As the online audio industry is still at an early stage of development in China, new laws and regulations may be promulgated from time to time to introduce new regulatory requirements, including but not limited to, requirements of obtaining new licenses and permits in addition to those we currently have. The interpretation and implementation of current and future PRC laws and regulations may be subject to further amendments and changes and still evolving, including those applicable to interactive audio industries and our business. This section sets forth a summary of the most significant laws and regulations that are applicable to Target Group’s current business activities in China and that affect the dividends payment to its shareholders.

REGULATIONS RELATED TO TELECOMMUNICATIONS SERVICES

According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “Telecommunications Regulations”) promulgated by the State Council on September 25, 2000 and last revised and came into effect on February 6, 2016, all telecommunications businesses in China have been categorized into basic telecommunications services and value-added telecommunication services. Value-added telecommunication services are defined as telecommunications and information services provided through public network infrastructures.

In addition, according to the Telecommunication Industry Classification Catalog (2015 version) (《電信業務分類目錄》(2015年版)) (the “Telecom Catalog”), which came into force on March 1, 2016 and amended on June 6, 2019 by MIIT, value-added telecommunication services are divided into two categories. Category I value-added telecommunication services include internet data center services, content delivery network services, domestic internet protocol virtual private network services and internet access services. Category II value-added telecommunication services include online data processing and transaction processing services, domestic multi-party communication services, store-and-forward-type services, call center services, information services and code and regulation conversion services. “Information services” under “Category II value-added telecommunication services” refer to the information services provided for users via the public communication network or the internet and by the information collection, development, processing and construction of information platforms. By technical service methods of information organization, transmission, and so forth, information services are classified into information release platforms and transmission services, information retrieval and inquiry services, information community platform services, instant information interaction services as well as information protection and processing services, and so forth.

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According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) promulgated by the State Council on September 25, 2000 and last amended on January 8, 2011 and became effective on the same date, “internet information services” refer to the provision of information through the internet to online users, including “commercial internet information services” and “non-commercial internet information services.” A commercial internet information service operator must obtain an ICP License from the competent governmental authorities before engaging in commercial internet information services in China, while ICP License is not required if the operator will only provide internet information on a non-commercial basis.

The Administrative Measures for Telecommunications Business Licensing (《電信業務經營許可管理辦法》) promulgated by the MIIT on December 26, 2001 and last amended on July 3, 2017 and became effective on September 1, 2017, set forth specific provisions regarding the qualifications and application procedures for ICP licenses and the administration and supervision of such licenses. A commercial ICP service operator shall obtain an ICP License of such services from the MIIT or its provincial level counterparts prior to the commencement of such services, otherwise such operator might be subject to sanctions including corrective orders and warnings from the competent governmental authority, imposition of fines and confiscation of illegal gains and in serious cases, being included in the list of dishonest telecommunications business operators, suspension of business.

In addition to the telecommunications regulations 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 were promulgated by the Cyberspace Administration of China (the “CAC”) on June 28, 2016, became effective on August 1, 2016 and last amended on August 1, 2022. According to the Provisions, the CAC and its local offices shall be responsible for the supervision, administration and law enforcement with regard to the nationwide and local mobile Internet applications information contents. Relevant qualifications required by laws and regulations shall be acquired according to law for providing information services through the mobile Internet applications. The APP provisions further clarifies the obligations of internet information service providers, such as the obligation to protect minors and the obligation to inform the users and report to the governmental authorities upon the risk of application security.

According to the Telecom Catalog, instant information interaction services refer to the service of instant sending and receiving of information (including texts, pictures, audio and videos), documents and so on provided for users by operating the client software, browsers and so on of the computer, intelligent terminal, and so forth, via the public communication network or the Internet. Instant information interaction services include instant messaging, interactive voice-response services (IVR) as well as end-to-end bilateral real-time voice service (including video voice services), and according to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), ICP service providers are prohibited from providing services beyond that included in the scope of their ICP license or filings.

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REGULATIONS RELATED TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

In addition to the Telecommunications Regulations and other regulations above, mobile applications program (the “APP”), and the Internet application store (the “APP Store”), are specially regulated by the APP Provisions, and pursuant to which, in accordance with the principle of “real name registration at the back-office end and voluntary real name display at the front-office end”, the registered users shall be authenticated by the mobile Internet application providers based on real identity information such as mobile phone numbers. An internet App provider must not enable functions that can collect a user’s geographical location information, access user’s contact list, activate the camera or recorder of the user’s mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant App, unless it has clearly indicated to the user and obtained the user’s consent on such functions and App.

On June 28, 2016, the CAC issued the APP Provisions, which took effect on August 1, 2016 and last amended on August 1, 2022. The APP Provisions further emphasizes that internet App providers shall comply with relevant provisions on the scope of necessary personal information when engaging in personal information processing activities. According to the APP Provisions, internet App providers shall not compel users to agree to non-essential personal information collection out of any reason, and are prohibited from banning users from their basic functional services due to the users’ refusal of providing non-essential personal information.

The Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Applications (《關於開展App違法違規收集使用個人信息專項治理的公告》) issued by four authorities including CAC, MIIT, MPS and SAMR on January 23, 2019. Pursuant to which, (i) application operators are prohibited from collecting any personal information irrelevant to the services provided by such operator; (ii) information collection and usage policy should be presented in a simple and clear way, and such policy should be consented by the users voluntarily; (iii) authorization from users should not be obtained by coercing users with default or bundling clauses or making consent a condition of a service. App operators violating such rules can be ordered by authorities to correct its non-compliance within a given period of time, be reported in public; or even suspend its operation for rectification or cancel its business license or operational permits.

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》), which lists six types of illegal collection and usage of personal information, including “not publishing rules on the collection and usage of personal information” and “not providing privacy rules”.

REGULATIONS APPLICABLE TO THE TARGET GROUP’S BUSINESS AND OPERATIONS

The MIIT issued the Notice on the Further Special Rectification of Apps Infringing upon Users’ Personal Rights and Interests (《關於開展縱深推進APP侵害用戶權益專項整治行動的通知》) (the “Further Rectification Notice”), on July 22, 2020. The Notice requires that certain conducts of app service providers should be inspected, including, among others, (i) collecting personal information without the user’s consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive advertisements; (ii) requesting user’s permission in a compulsory and frequent manner, or frequently launching third parties apps; and (iii) deceiving and misleading users into downloading apps or providing personal information. The Notice also set forth that the period for the regulatory specific inspection on apps and that the MIIT will order the noncompliant entities to modify their business within five business days, or otherwise to make public announcement to remove the apps from the app stores and impose other administrative penalties.

REGULATIONS ON INTERNET CONTENT SERVICES

The National People’s Congress has enacted laws with respect to maintaining the security of internet operations and internet content. According to these laws, as well as the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), an internet content service provider shall not produce, duplicate, publish or disseminate the following information which: opposes the fundamental principles stated in the PRC Constitution; compromises national security, divulges state secrets, subverts state power or damages national unity; harms the dignity or interests of the state; incites ethnic hatred or racial discrimination or damages inter-ethnic unity; undermines the PRC’s religious policy or propagates superstition; disseminates rumors, disturbs social order or disrupts social stability; disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime; insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or is otherwise prohibited by law or administrative regulations.

On September 7, 2017, the CAC promulgated the Administrative Provisions on the Information Services Provided through Official Accounts of Internet Users (《互聯網用戶公眾賬號信息服務管理規定》), as amended on January 22, 2021 and became effective on February 22, 2021. Pursuant to the amended provisions, the platforms shall establish and disclose management rules and platform codes with respect to information content production and public account operation, both of which shall be filed with the local cyberspace administrator. Furthermore, platform shall establish and improve mechanisms to deal with online rumors and other false information. When cooperating with an account operator, platforms shall regulate and manage business acts such as e-commerce sales, advertisement publishing, user reward, etc. In addition, platform operators are obligated to prevent false advertisements and commercial fraud from occurring on their platforms.

On December 15, 2019, the CAC promulgated the Regulations on the Ecological Governance of Network Information Content (《網絡信息內容生態治理規定》), effective from March 1, 2020, which specify the content scopes that are encouraged, prohibited or prevented from producing, re-producing and publishing. The network information content

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producers should take measures to prevent and resist the production of content that, among others, uses exaggerated titles that are inconsistent with the content, may incite racism or discrimination against geographic region, and propagates gossip and scandals. The network information content service platforms should fulfill the main responsibility of content management and establish an ecological governance mechanism of the network information, improve system for user registration, account management, information publishing review, emergency response, and etc. The network information content service users, network information content producers and network information content service platforms should not, through manual or technical means, carry out acts, such as traffic falsification, traffic hijacking, false registration of account IDs, illegal trading of account IDs, or manipulation of user account IDs, that destroy network ecology.

On August 30, 2021, the Ministry of Culture and Tourism (the “MOCT”, which replaced the Ministry of Culture in 2018) published the Measures for the Administration of Online Performance Brokerage Agencies (《網絡表演經紀機構管理辦法》) (the “Online Performance Brokerage Agencies Measures”), which provide that the online performance brokerage agencies should not induce users to consume by means of false consumption, taking the lead in virtual gifting, etc., or to promote their online performers by encouraging virtual gifting with rankings and fake advertising. According to the Online Performance Brokerage Agencies Measures, online performance brokerage agencies shall not provide online performance brokerage services to minors under the age of 16 and if online performance brokerage services are provided to minors over the age of 16, identity information of the minors shall be verified, and written consent shall be obtained from their guardians.

For the purposes of further pushing websites and platforms to fulfil their primary responsibility for information content management, fully leveraging the role of websites and platforms as the primary entity in charge of information content management, the CAC issued the Opinions on Further Pushing Websites and Platforms to Fulfil Their Primary Responsibility for Information Content Management (《關於進一步壓實網站平台信息內容管理主體責任的意見》) on September 15, 2021. According to the Opinions on Further Pushing Websites and Platforms to Fulfil Their Primary Responsibility for Information Content Management, websites and platforms shall improve the algorithm-based recommendation approach, specify key areas for recommendation, refine standards for recommendation, evaluate the outcomes of recommendation, and file algorithms as required.

The Administrative Provisions on the Account Information of Internet Users (《互聯網用戶賬號信息管理規定》), which was promulgated by the CAC on June 27, 2022 and became effective on August 1, 2022, sets out guidelines on the provision of the account information of Internet users. Internet-based information service providers shall perform their responsibilities as the administrative subjects of the account information of internet users, have in place professionals and technical capacity appropriate to the scale of services, and establish, improve and strictly implement the authentication of real identity information, verification of account information, security of information content, ecological governance, emergency responses, protection of personal information and other management systems.

REGULATIONS APPLICABLE TO THE TARGET GROUP’S BUSINESS AND OPERATIONS

REGULATIONS RELATED TO ONLINE TRANSMISSION OF AUDIO-VISUAL PROGRAMS

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non-State-owned Capital into the Cultural Industry (《關於非公有資本進入文化產業的若干決定》). On July 6, 2005, five PRC regulatory agencies, namely, the Ministry of Culture, the State Administration of Radio, Film and Television, (the “SARFT”), the General Administration of Press and Publication, the NDRC and the Ministry of Commerce, jointly promulgated the Several Opinions on Introducing Foreign Investment into the Cultural Sector (《關於文化領域引進外資的若干意見》). According to the above-mentioned regulations, non-State-owned capital and foreign investors are prohibited to conduct the business of transmitting audio-visual programs through information network.

According to the Administrative Provisions on Internet Audio-visual Program Service (《互聯網視聽節目服務管理規定》) (the “Audio-visual Program Provisions”), jointly promulgated by the SARFT and the Ministry of Information Industry on December 20, 2007 and last amended by the State Administration of Press, Publication, Radio, Film and Television (the “SAPPRFT”), on August 28, 2015 and became effective on the same date, internet audio-visual program service refers to activities of making, editing and integrating audio-visual programs, providing them to the general public via Internet, and providing such services to other people by uploading. Providers of internet audio-visual program services are required to obtain an AVSP License issued by the competent department of radio, film and television or complete certain record-filing procedures. Providers of internet audio-visual program services are generally required to be either state-owned or state-controlled by the PRC government, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by the competent department of radio, film and television under the State Council. According to the Official Answers to Press Questions Regarding the Audio-visual Program Provisions (《就<互聯網視聽節目服務管理規定>答記者問》) published on the SARFT’s website on February 3, 2008, the SARFT and the Ministry of Information Industry clarified that providers of internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Program Provisions could be eligible to re-register their businesses and continue their operations of internet audio-visual program services so long as those providers have not been in violation of the laws and regulations. This exemption will not be granted to internet audio-visual program service providers established after the adoption of the Audio-visual Program Provisions. These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of AVSP License (《關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》), issued by SARFT on May 21, 2008 and amended on August 28, 2015.

According to the Audio-visual Program Provisions, where an entity provides internet audio-visual program related services without permit, it may be subject to warning, ordered to rectify, or imposed a fine of no more than RMB30,000, and so forth. If the circumstances are serious, the competent authority shall impose penalties in accordance with Article 47 of the Administrative Regulations on Broadcasting and Television (《廣播電視管理條例》).

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In 2008, the SARFT issued the Notice on Relevant Issues Concerning Application and Approval of License for Online Transmission of Audio-visual Programs (《關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》), as last amended on August 28, 2015 and became effective on the same date, which further sets forth detailed provisions concerning the application and approval process regarding the AVSP License. The notice also stipulates that the internet audio-visual program services providers who engaged in such services prior to the promulgation of the Audio-visual Program Provisions shall also be eligible to apply for the license so long as their violation of the laws and regulations is minor and can be rectified in a timely manner and they have no records of violation during the latest three months prior to the promulgation of the Audio-visual Program Provisions.

Further, on March 30, 2009, the SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-visual Programs (《關於加強互聯網視聽節目內容管理的通知》), which reiterates the requirement for the internet audio-visual programs to be published to the public through information network, where applicable, and prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstitious or other similarly prohibited elements.

On March 17, 2010, the SARFT issued the Internet Audio-visual Program Services Categories (Provisional) (《互聯網視聽節目服務業務分類目錄(試行)》) (the “Provisional Categories”), as amended on March 10, 2017 and became effective on the same date, which classified internet audio-visual program services into four categories. According to the Provisional Categories, the third category covers gathering of internet audio-visual programs and forwarding of audio-visual programs uploaded by users. “Forwarding of audio-visual programs uploaded by users” under the third category refers to the provision for users of uploading channels for special programs or information so that such users can transmit their or others’ program source to the public through the information broadcasting system or viewing interface of websites for video-on-demand by the public, including: (a) program uploading, which enables users to upload programs to the server of a website for watching and listening (including downloading) by the public; and (b) information uploading and distribution, which enables users to upload names, link addresses and other information of programs to the server of a website for the public’s browsing, selection or watching and listing (including downloading) after re-linked to other players.

In addition, the Notice concerning Strengthening the Administration of the Streaming Service of Online Audio-Visual Programs (《關於加強網絡視聽節目直播服務管理有關問題的通知》) promulgated by the SAPPRFT on September 2, 2016 emphasizes that, unless a specific license is granted, audiovisual programs service provider is forbidden from engaging in live streaming on major political, military, economic, social, cultural and sports events.

On November 4, 2016, the CAC promulgated the Administrative Provisions on Internet Live-Streaming Services (《互聯網直播服務管理規定》) (the “Internet Live-Streaming Services Provisions”), which came into effect on December 1, 2016. According to the Internet Live-Streaming Services Provisions, an internet live-streaming service provider shall (a) establish a live-streaming content review platform for conducting classification and grading

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management according to the online live streaming content categories, user scale and others, add tags to graphics, video, audio or broadcast tag information for platforms; (b) be technically suitable for its services, and shall be technically able to block online live streaming immediately, with a technical scheme in compliance with the relevant national standards; (c) conduct verification on internet live-streaming publishers based on their identity certificates, business licenses and organization code certificates; (d) enter into a service agreement with internet live-streaming services user to specify both parties' rights and obligations; and (e) keep a record of contents released by online live streaming services users and the log information for 60 days for lawful supervision and inspection.

In March 2018, the SAPPRFT issued the Notice on Further Regulating the Transmission Order of Internet Audio-Visual Programs (《關於進一步規範網絡視聽節目傳播秩序的通知》), which requires that, among others, audio-visual platforms shall: (a) not produce or transmit programs intended to parody or denigrate classic works, (b) not re-edit, re-dub, re-caption or otherwise ridicule classic works, radio and television programs, or original internet audio-visual programs without authorization, (c) not transmit re-edited programs which unfairly distort the original content, (d) strictly monitor the adapted content uploaded by platform users and not provide transmission channels for illicit content, (e) immediately take down unauthorized content upon receipt of complaints from copyright owners, radio and television stations, or film and television production institutions, (f) strengthen the administration of movie trailers and prevent improper broadcasting of movie clips and trailers prior to authorized release, and (g) strengthen the administration of sponsorship and endorsement for internet audio-visual programs. Pursuant to this notice, the provincial branches of SAPPRFT shall have the authority to supervise radio stations and websites that offer audio-visual programs within its jurisdiction and require them to further improve their content management systems and implement relevant management requirements.

According to the Notice on Strengthening the Administration of the Internet Live Streaming Service (《關於加強網絡直播服務管理工作的通知》) jointly promulgated by the MIIT, the Ministry of Public Security of the PRC and other government agencies on August 1, 2018, internet live streaming service providers shall go through the procedures of filing with the competent department of telecommunications. The internet live streaming service providers engaged in telecommunications business and internet news information, network performances and internet live streaming of audio-visual programs shall apply to the relevant departments for permission to operate such telecommunication business and shall perform the procedures of record-filing with the local public security department within 30 days after the live streaming service being operated.

According to the Notice on Strengthening the Management of the Online Show Live Broadcasting and E-commerce Live Broadcasting (《關於加強網絡秀場直播和電商直播管理的通知》) promulgated by the National Radio and Television Administration on November 12, 2020, platforms providing online show live streaming or e-commerce live streaming services shall register their information and business operations by November 30, 2020. The overall ratio of front-line content analysts to live streaming rooms shall be 1:50 or higher on such platforms. The training for content analysts shall be strengthened and content analysts who have passed the training shall be registered in the system. A platform shall report the number

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of its live streaming rooms, streamers and content analysts to the provincial branch of the National Radio and Television Administration on a quarterly basis. Online show live streaming platforms shall tag content and streamers by category. A streamer cannot change the category of the programs offered in his or her live streaming room without prior approval from the platform. Users that are minors or without real-name registration are forbidden from virtual gifting, and platforms shall limit the maximum amount of virtual gifting per time, per day, and per month. When the virtual gifting by a user reaches half of the daily/monthly limit, a consumption reminder from the platform and a confirmation from the user by text messages or other means are required before the next transaction. When the amount of virtual gifting by a user reaches the daily/monthly limit, the platform shall suspend the virtual gifting function for such user for that day or month. To host any e-commerce promotion events such as E-commerce Festival, E-commerce Day or Promotion Day in the forms of live streaming, live performances, live variety shows and other live programs, the platforms shall register the information of guests, streamers, content and settings with the local branch of the National Radio and Television Administration 14 business days in advance. Online e-commerce live streaming platforms shall conduct relevant qualification examination and real-name authentication on businesses and individuals providing live-streaming marketing services and keep complete examination and authentication records, and shall not enable imposters or businesses or individuals without qualification or real-name registration to conduct live-streaming marketing services.

On February 9, 2021, the CAC, the NOAPIP, the MIIT, Ministry of Public Security, the Ministry of Culture and Tourism, the PRC State Administration for Market Regulation (the “SAMR”) and the National Radio and Television Administration promulgated the Guiding Opinion on Strengthening the Management of Online Live Broadcasting (the “Notice 3”) (《關於加強網絡直播規範管理工作的指導意見》), which requires live streaming platforms that carry out business-oriented online performance activities must hold the ICB License and carry out ICP filing; the live broadcasting platform conducting online audio-visual program service should hold an AVSP License (or register in the National Internet Audio-visual Programs Registration and Management System) and carry out ICP filing; live streaming platforms that carry internet news information service must hold internet news information service license. Live streaming platforms shall file with local cyberspace administration office in a timely manner, and shall cancel its filing immediately after it ceases to provide live streaming services.

In addition, with respect to virtual gifting, Notice 3 provides that online live streaming platforms shall (i) guide and regulate users’ consumption and rational rewards in accordance with the laws and regulations; (ii) keep records of live streaming images, interactive messages, recharge and virtual gifting in accordance with the laws and regulations; (iii) not provide recharge and virtual gifting services to minors; (iv) establish exclusive customer service teams for minors to give priority to the acceptance and timely handling of relevant complaints and disputes involving minors. If a minor fraudulently uses adult account and gives virtual gifts, the refund shall be made in accordance with the provisions after verification; (v) reasonable restrictions shall be set for different categories and levels of online host accounts in terms of total rewards per session, live streaming popularity, duration, daily live streaming sessions, and

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time intervals between sessions. Necessary warning measures should be implemented for hosts who violate laws and regulations; (vi) establish rules for the administration of live streaming virtual gifting services, specifying that the virtual gifting services provided by platforms to users are information and entertainment consumer services. A reasonable maximum amount of virtual gifting shall be set for the amount of single virtual consumer goods or a single virtual gifting and consumption reminders shall be provided to users whose cumulative amount of virtual gifting in a single day reaches the corresponding threshold, and a virtual gifting cooling-off period and delayed pay-in period shall be set if necessary.

On May 7, 2022, the Office of Central Guidance Commission on Building Spiritual Civilization, the MCT, NRTA and the CAC promulgated the Opinions on Regulating Virtual Gifting to Strengthen the Protection of Minors (《關於規範網絡直播打賞加強未成年人保護的意見》) (the “May 7 Opinions”). According to the May 7 Opinions, live streaming platforms shall, among others (1) prohibit minors from virtual gifting, and implement the requirements on real-name registration; (2) not provide online live streaming publisher account registration service to minors under age of 16 and obtain the consent from guardians before allowing minors between the ages of 16 and 18 to register online live streaming publisher accounts on their platforms; (3) continue to upgrade their youth mode and establish a customer service team for minors to process, and prioritize the settlement of complaints and disputes related to minors; (4) manage key functions of their applications so that virtual gifting amount is not the sole criteria for ranking; and (5) shall discontinue all services under youth mode after 10:00 PM every day.

REGULATIONS RELATED TO ONLINE CULTURAL ACTIVITIES

The Ministry of Culture promulgated the Interim Provisions on Administration of Internet Culture (《互聯網文化管理暫行規定》) (the “Internet Culture Provisions”), on May 10, 2003, as most recently amended on December 15, 2017 and became effective on the same date. According to the Internet Culture Provisions, internet cultural activities include: (i) producing, reproducing, importing, publishing or broadcasting Internet cultural products; (ii) publishing cultural products on the Internet or transmission thereof to computers, fixed-line or mobile phones, radios, television sets or gaming players for the purpose of browsing, reading, reviewing, using or downloading such products by online users; and (iii) exhibitions and competitions of Internet cultural products. Internet cultural activities are categorized as two categories, namely, commercial and non-commercial. Entities engaged in commercial internet cultural activities shall file the application to the applicable provincial level counterpart of the Ministry of Culture for approval and obtain an ICB License.

On June 3, 2010, the Ministry of Culture issued the Interim Measures for the Administration of Online Games (《網絡遊戲管理暫行辦法》), and it was amended on December 15, 2017. According to the Interim Measures for the Administration of Online Games, any entity engaged in online games operating activities such as operating online games via the internet, issuing of virtual currencies used for online games via the internet and conducting trade of virtual currencies used for online games via the internet, shall obtain an ICB License.

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According to the Measures for the Administration of Internet Performance Business Operations (《網絡表演經營活動管理辦法》) promulgated by the Ministry of Culture on December 2, 2016, entities engaged in internet performance business operations shall, in accordance with the Internet Culture Provisions, apply to the cultural administrative department at the provincial level for an ICB License, and the business scope in the license shall expressly include internet performance. An internet performance business entity shall indicate the number of its ICB License in an eye-catching position on the homepage of its website. In July 2016, the Ministry of Culture promulgated the Notice on Strengthening the Administration of Internet Performance (《文化部關於加強網絡表演管理工作的通知》), which regulates the behavior of entities conducting businesses related to internet performance and performers. Entities operating internet performances shall be responsible for the services and content posted on their website by performers. They must refine their content management mechanism and shut down the channel and stop the dissemination of any internet performance as soon as they realize that such internet performance is in violation of relevant laws and regulations. Internet performers shall be responsible for their performances and shall not perform any program containing violence, pornography, or other similarly prohibited elements.

On August 12, 2013, the Ministry of Culture issued the Administrative Measures for Content Self-review by Internet Culture Business Entities (文化部關於實施《網絡文化經營單位內容自審管理辦法》的通知), which requires internet culture business entities to review the content of products and services to be provided prior to providing such content and services to the public. An Internet culture business entity shall establish and improve its content management system. The content management system of an internet culture business entity is required to specify the responsibilities, standards and processes for content review as well as accountability measures, and is required to be filed with the provincial level counterpart of the Ministry of Culture.

On May 14, 2019, 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》), which specifies that the MOCT no longer undertakes the responsibility for the administration of the online game industry, and the cultural administrative authorities have no longer approved or issued the ICB 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. For those ICB Licenses already issued which contain the foregoing business scope only, they shall remain effective until expiration of its term of validity, and for operators the business scope of which contain other commercial internet culture activities or which intend to engage in other commercial internet culture activities, they may apply for change of business scope or issuance of a new ICB License.

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On July 10, 2019, the MOCT issued the Decision on the Abolition of the Interim Measures for the 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》), which specifies that the Interim Measures for the Administration of Online Game were abolished by the MOCT on July 10, 2019.

REGULATIONS RELATED TO ADVERTISING BUSINESS

On October 27, 1994, the SCNPC, promulgated the Advertising Law of the PRC (《中華人民共和國廣告法》) (the “Advertising Law”), as amended most recently on April 29, 2021. The Advertising Law requires that advertisers, advertising operators, and advertisement publishers shall abide by the laws and administrative regulations, and by the principles of fairness and good faith while engaging in advertising activities. Administrative departments for market regulation at and above the county level are in charge of supervision and administration of advertising.

The Measures for the Administration of Internet Advertising (《互聯網廣告管理辦法》) (“the Administration of Internet Advertising”) promulgated by the SAMR On February 25, 2023 and came into effect on May 1, 2023. Pursuant to the Administration of Internet Advertising, internet advertisements shall be authentic and lawful. Where any law or administrative regulation prohibits the production or sale of a product or the provision of a service or prohibits the advertising of a good or service, no entity or individual may design, produce, serve as an agent for, or publish any advertisement through the Internet. The Administration of Internet Advertising also provides that internet advertisement shall be identifiable, enabling consumers to identify it as an advertisement; for goods or services that appear resulting from paid listing, an advertisement publisher shall clearly indicate “advertisement” to clearly distinguish them from search engine optimization.

REGULATIONS RELATED TO ONLINE PUBLISHING

On February 4, 2016, the MIIT and the SAPPRFT jointly issued the Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》) (the “Online Publishing Provisions”), which took effect on March 10, 2016. The Online Publishing Provisions regulate a broad range of activities related to the “online publishing services” providing “online publications” to the public through information networks, including (a) original digital works, such as text, pictures, maps, games, animation and audio/video; (b) digital works with content that is identical with the formally published publications; (c) digital works formed by selecting, arranging or compiling other types of digital works; and (d) other types of digital works recognized by the SAPPRFT. In addition, foreign-invested enterprises are not allowed to engage in the foregoing services. Under the Online Publishing Regulations, (a) internet operators distributing online publications via internet are required to obtain an Internet Publishing Service License; (b) before publishing an online game, an online publishing service provider shall file an application with the competent provincial counterpart of the SAPPRFT in the place where it is located and the application, if approved, shall be submitted to the SAPPRFT for approval. An online game shall not be launched without the prior approval

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of the SAPPRFT, otherwise the competent authority may confiscate all illegal income arising therefrom and impose a fine ranging from 5 times to 10 times of such illegal income, if the illegal income is more than RMB10,000, or a fine up to RMB50,000, if the illegal income is not more than RMB10,000.

The Notice on the Administration over Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》), which was issued by the SAPPRFT on May 24, 2016 and took effect on July 1, 2016, provides that game publishing services providers shall be responsible for examining the contents of their games and applying for game publication numbers, and for the purpose of this notice, the online game publishing services providers refer to online publishing service entities that have obtained the Online Publishing Service License with game publishing business included in their scope of business. A mobile game shall not be published without the prior approval of the SAPPRFT.

REGULATIONS RELATED TO THE PROTECTION OF MINORS IN ONLINE ENTERTAINMENT

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC Government authorities jointly issued the Circular on Application of the Online Game Addiction Prevention System for Protecting the Physical and Mental Health of the Minors (《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》), requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue 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". Limits shall be set on the game value receivable according to the time of staying online. After the healthy online time, the longer the minors stay online the less proceeds are receivable until the proceeds become zero.

In July 2011, the SAPPRFT, together with several other government agencies, jointly issued the Notice on Initializing the Verification of Real-name Registration for the Anti-Fatigue 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 "Real-name Registration Notice"), in order to strengthen the implementation of the anti-fatigue and real-name registration system. This notice indicates that the National Citizen ID Number Inquiry Service Center of the Ministry of Public Security will verify identity information of game players submitted by online game operators. The Real-name Registration Notice also imposes stringent penalties on online game operators that do not implement the required anti-fatigue and real-name registration systems properly and effectively, including terminating their online game operations. According to the Provisions on the Administration of Programs for Minors (《未成年人節目管理規定》) issued by the National Radio and Television Administration, which came in effect on April 30, 2019 and was amended on October 8, 2021, online audio-visual program service providers and program producers shall produce and disseminate differentiated programs for minors based on the physical and mental development status of the minors at different ages, and there should be images or sounds that prompt such differentiation.

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On July 25, 2014, SAPPRFT issued the Notice on the In-depth Implementation of Real-name Verification for Anti-addiction in Online Games (《國家新聞出版廣電總局辦公廳關於深入開展網絡遊戲防沉迷實名驗證工作的通知》), which became effective on October 1, 2014, requiring online game operating companies to complete the online game anti-addiction real-name verification procedures, and provide certification documents issued by the National Citizen ID Number Inquiry Service Center; otherwise the application for online game publishing will not be accepted. The notice also stipulates that, due to the limitations of hardware and technology, the implementation of the anti-addiction system for online games is temporarily not applicable to mobile online games.

On October 25, 2019, the National Press and Publication Administration (the “NPPA”) issued the Notice on Preventing Minors from Indulging in Online Games (《國家新聞出版署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.

On October 17, 2020, 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)》), effective on June 1, 2021. The Law of the PRC on the Protection of Minors (2020 Revision) adds 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 streaming, audio-visual, 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 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, (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, and (vi) online live streaming service providers are not allowed to provide minors under age 16 with an online live streaming host account registration service.

The Notice 3, provides that hosts shall not accept virtual gifting from minors without consent from their parents or other guardians, and the platform shall prohibit minors from virtual gifting and shall establish an exclusive customer service team to timely disposal of complaints and disputes involving minors.

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On August 30, 2021, the MOCT published the Online Performance Brokerage Agencies Measures, which provides that the online performance brokerage agencies should not induce users to consume by means of false consumption, taking the lead in virtual gifting, etc., or to promote their online performers by encouraging virtual gifting with rankings and fake advertising. According to the Online Performance Brokerage Agencies Measures, online performance brokerage agencies shall not provide online performance brokerage services to minors under the age of 16 and if online performance brokerage services are provided to minors over the age of 16, identity information of the minors shall be verified, and written consent shall be obtained from their guardians.

On August 30, 2021, the NPPA issued the Notice of on Further Strengthening Regulation to Effectively Prevent Online Gaming Additions among Minors (《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 limits online gaming time for minors (individuals under the age of 18) to an hour per day from 8 p.m. to 9 p.m. on Friday, Saturday, Sunday and legal holidays in the PRC starting from September 1, 2021 and all online games are required to be connected to the online game anti-fatigue compliance system and a real-name registration system of the PRC government. 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 provided for substantially the same requirements as the Notice of on Further Strengthening Regulation to Effectively Prevent Online Gaming Additions among Minors.

On October 16, 2023, the State Council promulgated the Regulations on the Online Protection of Minors (《未成年人網絡保護條例》) (the “Minor Protection Regulations”), which will come into effect on January 1, 2024. The Minor Protection Regulations sets out in details the responsibilities of the online platforms, online product or service providers, personal information processors, and manufacturers and sellers of smart terminal products. If Company fails to comply with the requirements under the Minor Protection Regulations, the competent authorities can order us to make rectifications, issue a warning, and confiscate the illegal gains, as well as impose monetary fines. If we refuse to make rectifications or the circumstances are serious, the Target Company may be ordered to suspend our relevant business, cease our business for rectification, close our website, or revoke our relevant permits or business license. The responsible managerial personnel and other directly liable persons of the Target Company could be imposed licenses monetary fines between RMB10,000 to RMB100,000.

On August 2, 2023, the CAC published the Guidelines for the Development of Minor Mode on the Mobile Internet (Draft for Comments) (《移動互聯網未成年人模式建設指南(徵求意見稿)》) (“the Guidelines”), which was open for public consultations until September 2, 2023. Pursuant to the Guidelines, in the minor mode, mobile Internet information service providers shall restrict minor users from using the products and services that may endanger their physical and mental health. The providers of network services such as online live-streaming, online audio and video, and online social networking shall set up functions such as time management, authority management and consumption management in response to minors’ use of their services and shall take measures to reasonably restrict the amount of single

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consumption and the accumulative amount of consumption in a single day by minors in the use of network products and services and shall not provide minors with any paid service that does not accord with their capacity for civil conduct.

REGULATIONS RELATED TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

Internet content in China is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security (《關於維護互聯網安全的決定》), enacted by the SCNPC on December 28, 2000, and amended with immediate effect on August 27, 2009, makes it unlawful to, including but not limited to: (i) gain improper entry into a computer information system of national affairs, national defense or cutting-edge science and technology; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

The Administrative Measures for the Security Protection of International Connections to Computer Information Network (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the state council on December 16, 1997, and amended on January 8, 2011, prohibits the use of the internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content.

Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) promulgated by the MIIT on December 29, 2011, effective on March 15, 2012, an internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of the users, unless otherwise stipulated by laws and administrative regulations. The internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. The internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, the internet information service provider must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority and cooperate with relevant departments in investigation and solution.

In addition, pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》) issued by the SCNPC on December 28, 2012, effective on the same day, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or illegally providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any

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unauthorized disclosure, damage or loss. Internet information service providers are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to others.

On July 1, 2015, the Standing Committee of the National People’s Congress issued the National Security Law (《國家安全法》), which became effective on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity 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.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “Cybersecurity Law”), effective on June 1, 2017. The Cybersecurity Law aims to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and requires that a network operator, which includes, among others, internet information services providers, take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks.

The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated by the Ministry of Public Security on December 13, 2005, and became effective on March 1, 2006, require internet service providers to keep records of certain information about their users (including but not limited to user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), which came into force on September 1, 2013. Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it 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. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

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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. 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 prominent and clear way, notify and obtain consent from children’s guardians.

On November 28, 2019, the Secretary Bureau of the CAC, the General Office of the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security and the General Office of the SAMR promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App (《App違法違規收集使用個人信息行為認定方法》), which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

According to 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, 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 the 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.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. The PRC Data Security Law imposes data security obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information.

On December 28, 2021, the CAC and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) critical information infrastructure operators purchasing network products and services which affects or may affect national security, must file for the cybersecurity review; (ii) internet platform operators holding personal information of more than one million users seeking a listing in a foreign country must file for the cybersecurity review and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data

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processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures.

On July 30, 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. Pursuant to the Regulations on Protection of Critical Information Infrastructure, a critical information infrastructure refers to an important network facilities or information systems in important industries or fields such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, competent departments and administration departments of each important industry and field, or Protection Departments, shall be responsible to formulate determination rules and determine the critical information infrastructure operator in the respective important industry or field. The result of the determination of critical information infrastructure operator shall be informed to the operator, and notify the public security department of the State Council.

On August 20, 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC, (《中華人民共和國個人信息保護法》) (the “Personal Information Protection Law”), effective on November 1, 2021. Pursuant to the PRC Personal Information Protection Law, personal information refers to the information related to an identified or identifiable individual recorded electronically or by other means, excluding the anonymized information, and processing of personal information includes among others, the collection, storage, use, handling, transmission, provision, disclosure, deletion of personal information. The PRC Personal Information Protection Law explicitly sets forth the circumstances where it is allowed to process personal information, including (i) the consent from the individual has been obtained; (ii) it is necessary for the conclusion and performance of a contract under which an individual is a party, or it is necessary for human resource management in accordance with the labor related rules and regulations and the collective contracts formulated or concluded in accordance with laws; (iii) it is necessary to perform statutory duties or statutory obligations; (iv) it is necessary to respond to public health emergencies, or to protect the life, health and property safety of individuals in emergencies; (v) carrying out news reports, public opinion supervision and other acts for the public interest, and processing personal information within a reasonable scope; (vi) processing personal information disclosed by individuals or other legally disclosed personal information within a reasonable scope in accordance with this law; or (vii) other circumstances stipulated by laws and administrative regulations.

The Personal Information Protection Law specifically specifies the rules for handling sensitive personal information, which means personal information that, once leaked or illegally used, may easily cause harm to the dignity of natural persons or grave harm to personal or property security, including information on biometric characteristics, financial accounts, individual location tracking, etc., as well as the personal information of minors under the age of 14. Personal information handlers shall bear responsibility for their personal information

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handling activities, and adopt the necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered to correct or suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

On July 7, 2022, the CAC passed the Security Assessment Measures for Outbound Data Transfers (《數據出境安全評估辦法》) (the “Measures for Outbound Data Transfers”), which became effective on September 1, 2022. The Measures for Outbound Data Transfers mainly stipulate the situations where cross-border transfer of data requires security assessment: (i) providing important data overseas; (ii) critical information infrastructure operators, and data processors processing personal information of over 1 million people providing personal information overseas; (iii) since January 1 of the previous year, data processors who have provided personal information of 100,000 people or sensitive personal information of 10,000 people to overseas have provided personal information and (iv) other circumstances in which the declaration of security evaluation for cross-border transfer of data is required as stipulated by the CAC.

On September 17, 2021, the CAC, together with eight other governmental authorities, jointly issued and implemented the Guidelines on Strengthening the Comprehensive Regulation of Algorithm for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》), which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and security assessments of algorithm shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established and classified security management of algorithms shall be promoted.

On November 14, 2021, the CAC issued the Administrative Regulations of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Cyber Data Security Regulations”), which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations also provide that operators of large Internet platforms that set up headquarters, operation centers or R&D centers overseas shall report to the national cyberspace administration and competent authorities.

In addition, the Draft Cyber Data Security Regulations require data processors processing over one million users’ personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security

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training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year.

The Draft Cyber Data Security Regulations also state that data processors processing important data or going public overseas shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 of each year.

Further, the Draft Cyber Data Security Regulations also require Internet platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have a significant impact on users’ rights and interests. Further, amendments to platform rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users’ rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC for approval.

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, the SAMR 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 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 publicize 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.

On November 25, 2022, the CAC passed the Provisions on the Administration of Deep Synthesis of Internet-based Information Services (《互聯網信息服務深度合成管理規定》) (the “Provisions on the Administration of Deep Synthesis”), which was released after being approved by the Ministry of Industry and Information Technology and the Ministry of Public Security, and came into force on January 10, 2023. The Provisions on the Administration of Deep Synthesis requires deep synthesis service providers to fulfill their principal responsibilities for information security, establish and improve management systems for, among other things, user registration, algorithm mechanism review, scientific and technological ethics review, information release review, data security, personal information protection, combating telecom and online fraud, and emergency response, and have safe and controllable technical support measures. This regulation enumerates the obligations of many

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deep synthesis service providers, such as: formulate and disclose management rules and platform conventions, authenticate deep synthesis service users’ real identity information, adopt technical or manual methods to examine the input data and synthesis results of deep synthesis service users, establish and improve a rumor-refuting mechanism, set up convenient portals for user complaints, public complaints, take technical measures to add signs that do not affect users’ use to information generated or edited using their services.

On July 10, 2023, the CAC, the NDRC, the Ministry of Education, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Public Security and the National Radio and Television Administration issued the Provisional Measures for the Administration of Generative Artificial Intelligence Services (《生成式人工智能服務管理暫行辦法》) (the “Provisional Measures on Generative AI Services”), which became effective on August 15, 2023. The Provisional Measures on Generative AI Services defines the generative artificial intelligence technologies as the models and related technologies that can generate text, pictures, audio, video and other contents. Pursuant to the Provisional Measures on Generative AI Services, Generative AI service providers shall carry out pre-training, optimization training, and other training data processing activities in accordance with the law, and comply with the following provisions: (1) use data and underlying models sourced from legitimate sources; (2) not infringing upon the intellectual property rights involved that are owned by others in accordance with the law; (3) where personal information is involved, the consent of the personal information subject shall be obtained, or any other circumstances provided for in laws or administrative regulations shall apply; (4) employ effective measures to improve the quality of training data and to enhance the authenticity, accuracy, objectivity, and diversity of training data; and (5) other relevant provisions of laws and administrative regulations such as the Cybersecurity Law of the PRC, the Data Security Law of the PRC, and the Personal Information Protection Law of the PRC, as well as relevant regulatory requirements of relevant authorities. In addition, for the provision of generative artificial intelligence services that have public opinion attributes or social mobilization capabilities, safety evaluation shall be carried out in accordance with relevant state regulations, and the procedures for algorithm filing, or modification or cancellation of filing shall be performed in accordance with the Provisions on the Administration of Algorithmic Recommendations for Internet Information Services (《互聯網信息服務算法推薦管理規定》).

On July 21, 2023, the Ministry of Industry and Information Technology issued the Notice on Carrying out the Filing of Mobile Internet Applications (《關於開展移動互聯網應用程式備案工作的通知》), requiring APP operator engaged in Internet information services within the territory of the People’s Republic of China to complete filing formalities in accordance with the Anti-Telecommunications Network Fraud Law of the People’s Republic of China (《中華人民共和國反電信網路詐騙法》) and the Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》). App operator shall complete filing formalities with the provincial-level communications administration bureau where they are domiciled, and their network access service providers and app distribution platforms shall submit such applications online through the “National Internet Basic Resources Management System” and adopt online methods of application submission, inspection and review.

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On August 3, 2023, the CAC published the Administrative Measures for the Compliance Audit of Personal Information Protection (Draft for Comments) (《個人信息保護合規審計管理辦法(徵求意見稿)》), which was open for public consultations until September 2, 2023. According to the Administrative Measures for the Compliance Audit of Personal Information Protection (Draft for Comments), the term “compliance audit of personal information protection” refers to the supervision activities that review and evaluate whether the personal information processing activities by personal information processors comply with laws and administrative regulations. And personal information processors that process the personal information of more than 1 million individuals shall carry out the compliance audit of personal information protection at least once a year, other personal information processors shall conduct the compliance audit of personal information protection at least once every two years.

On July 7, 2023, the CAC published the Provisions on the Governance of Cyberviolence Information (Draft for Comments) (《網絡暴力信息治理規定(徵求意見稿)》) for public comments, which defines cyberviolence information as any illegal and bad information against specific individuals released through the Internet, involving insults, abuse, rumors, defamation, invasion of privacy, emotional blackmail, degradation, discrimination and malicious speculation, which may adversely affect the physical or mental health of such individuals. Pursuant to the Provisions on the Governance of Cyberviolence Information (Draft for Comments), Internet information service providers shall fulfill their main responsibilities of information content management, establish and improve the governance mechanism of cyberviolence information, and improve the systems of account management, information release review, monitoring and early warning, reporting and assistance, and countermeasures against cyberviolence information.

On August 8, 2023, the CAC issued the Regulations on Safety Management of Face Recognition Technology Application (Trial) (Draft for Comments) (《人臉識別技術應用安全管理規定(試行)(徵求意見稿)》) for public comments, which requires the use of face recognition technology to process face information shall obtain the individual’s separate consent or written consent according to law, except where personal consent is not required by laws and administrative regulations. Furthermore, Users of face recognition technology who use face recognition technology in public places, or store face information of more than 10,000 people, should file with the Internet information department at the municipal level within 30 working days.

According to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》) issued by the SCNPC on August 29, 2015, effective on November 1, 2015, any internet service provider that fails to fulfill the obligations related to internet information security as required by applicable laws and refuses to take corrective measures, will be subject to criminal liability for (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users’ personal information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (a) sells or provides personal information to others unlawfully or (b) steals or illegally obtains any personal information will be subject to criminal liability in severe situations. Pursuant to Interpretation of Supreme People’s Court and Supreme People’s Procuratorate on Several

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Issues regarding Application of Law in Handling of Criminal Cases Involving Infringement of Personal Information (《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 on June 1, 2017, “Personal Information” and certain standards for the conviction and sentencing of the criminals in relation to personal information infringement has been clarified. In addition, the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) (the “Civil Code”), which issued on May 28, 2020 and came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law, any organization or individual shall legally obtain personal information of others when necessary and ensure the safety of such information, and shall not unlawfully collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

REGULATIONS RELATED TO VIRTUAL CURRENCY

On January 25, 2007, the Ministry of Public Security, the Ministry of Culture, the MIIT and the General Administration of Press and Publication jointly issued a circular regarding regulating online game operation and banning gambling in 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》) which has implications on the issuance and use of virtual currency. On February 15, 2007, fourteen PRC regulatory authorities jointly issued the Notice on Further Strengthening Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》). According to these regulations, aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual are limited, virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products and trading of virtual currency is strictly banned.

On June 4, 2009, the Ministry of Culture and the Ministry of Commerce jointly issued 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”). According to the Virtual Currency Notice, the online game virtual currency shall be only used to exchange for the virtual services provided by the issuer, and shall not be used to pay for or purchase physical products or exchange for any product or service provided by other enterprises.

REGULATIONS RELATED TO COMMERCIAL PERFORMANCES

The Administrative Regulations on Commercial Performances (Revised in 2020) (《營業性演出管理條例(2020修正)》) was promulgated by the State Council and took effect on November 29, 2020. According to these regulations, to legally engage in commercial performances, a culture and arts performance group shall have full-time performers and equipment in line with its performing business, and file an application with the culture administrative department of the people’s government at the county level for approval; while a performance brokerage agency shall have three or more full-time performance brokers and funds suitable for the relevant business, and file an application with the culture administrative department at the provincial level. The culture administrative department shall make a decision

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within 20 days from the receipt of the application whether to approve the application, and upon approval, will issue a commercial performance license. Anyone or any entity engaging in commercial performance activities without approval may have a penalty imposed, in addition to being ordered to cease its actions. Such penalty may include confiscation of performance equipment and illegal proceeds, and a fine of 8 to 10 times the illegal proceeds. Where there are no illegal proceeds or the illegal proceeds are less than RMB10,000, a fine of RMB50,000 to RMB100,000 will be imposed.

REGULATIONS RELATED TO INTELLECTUAL PROPERTY RIGHTS

Software Registration

The State Council and National Copyright Administration of the PRC (the “NCA”) have promulgated various rules and regulations relating to protection of software in China. According to these rules and regulations, software owners, licensees and transferees may register their rights in software with the Copyright Protection Center of China or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the “Software Copyright Measures”), issued by the NCA on February 20, 2002, set forth registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. According to Regulations on the Protection of Computer Software (2013 Revision) (《計算機軟件保護條例(2013修訂)》), Chinese citizen, legal person or other organization is entitled to the copyright of the software he/she has developed, whether the software is released publicly or not. A foreigner or a stateless person who releases his/her software first within the Chinese territory is entitled to its copyright under these Regulations. These Regulations protect a foreigner or stateless person’s entitlement to software copyright gained in accordance with an agreement signed between China and the home country or the country of habitual residence of the developer, or an international treaty to which China is a signatory.

Copyright

The Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》) (the “Copyright Law”), promulgated in 1990 and amended in 2001, 2010 and 2020 (the currently effective revision became effective on June 1, 2021), and its related implementation regulations (《中華人民共和國著作權法實施條例》), promulgated in 2002 and amended in 2011 and 2013, are the principal laws and regulations governing the copyright related matters. According to the Copyright Law and relevant regulations, Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works. The amended Copyright Law covers internet activities, products disseminated over the internet and software products, among the subjects entitled to copyright protections. Registration of copyright is voluntary, and it is administrated by the China Copyright Protection Center.

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To further clarify some key internet copyright issues, on December 29, 2020, the PRC Supreme People’s Court promulgated the Regulation on Several Issues Concerning Applicable Laws on Trial of Civil Disputes over the Infringement of Information Network Transmission Right (2020 revised) (《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(2020修訂)》) (the “2020 Regulation”). The 2020 Regulation took effect on January 1, 2021, and replaced the Interpretations on Some Issues Concerning Applicable Laws for Trial of Disputes over Internet Copyright (《最高人民法院關於審理涉及計算機網絡著作權糾紛案件適用法律若干問題的解釋》) that was initially adopted in 2000 and subsequently amended in 2004 and 2006. Under the 2020 Regulation, where an internet information service provider work in cooperation with others to jointly provide works, performances, audio and video products of which the right holders have information network transmission right, such behavior will constitute joint infringement of third parties’ information network transmission right, and the PRC court shall order such internet information service provider to assume joint liability for such infringement.

According to the Regulations on Protection of Information Network Transmission Right (《信息網絡傳播權保護條例》), as promulgated on May 18, 2006 by the State Council and amended on January 30, 2013 and took effective as of March 1, 2013, an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder’s notice of infringement. The internet information service provider may be exempted from indemnification liabilities under the following circumstances:

- (i) any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio/visual products provided by its users is not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio/visual products and (b) it provides such works, performances and audio/visual products to the designated users and prevents any person other than such designated users from obtaining access;
- (ii) any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio/visual products obtained from any other internet information service providers, is not required to assume the indemnification liabilities if (a) it has not altered any of the works, performances or audio/visual products that are automatically stored; (b) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works performances and audio/visual products; and (c) when the original internet information service provider revises, deletes or shields the works, performances and audio/visual products, it will automatically revise, delete or shield the same;

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- (iii) any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio/visual products to the general public via an informational network is not required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performances and audio/visual products that are provided by the users; (c) it is not aware of or has no justified reason to know that the works, performances and audio/visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio/visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio/visual products pursuant to the regulation; and
- (iv) an internet information service provider that provides its users with search engine or link services should not be required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to the regulation, unless it is aware of or should reasonably have known the infringement.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the PRC National Copyright Administration and MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet (《互聯網著作權行政保護辦法》) on April 29, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet (the “Internet Content Providers”), without editing, amending or selecting any stored or transmitted content. When imposing administrative penalties upon the act which infringes upon any users’ right of communication through information networks, the Measures for Imposing Copyright Administrative Penalties (《著作權行政處罰實施辦法》), promulgated in 2009, shall be applied.

According to the Administrative Protection of Copyright Related to Internet, where a copyright holder finds that certain internet content infringes upon its copyright and sends a notice to the relevant internet information service operator, the relevant internet information service operator is required to (i) immediately take measures to remove the relevant contents, and (ii) retain all infringement notices for six months and to record the content, display time and IP addresses or the domain names related to the infringement for 60 days. If the content is removed by an internet information service operator according to the notice of a copyright holder, the content provider may deliver a counter-notice to both the internet information service operator and the copyright holder, stating that the removed content does not infringe upon the copyright of other parties. After the delivery of such counter-notice, the internet information service operator may immediately reinstate the removed contents and shall not bear administrative legal liability for such reinstatement. Where an internet information service

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operator fully aware of an internet content provider's act is infringing upon another's copyright through internet, or fails to take actions to remove relevant contents after receipt of the copyright owner's notice, and meanwhile damages public benefits, the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than 3 times the illegal business amount; if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and last revised on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated on August 3, 2002 and last amended on April 29, 2014 by the State Council and became effective on May 1, 2014, a registered trademark means a trademark that has been approved by and registered with the trademark office, including goods marks, service marks, collective marks and certification marks. A registered trademark is valid for 10 years commencing on the date of registration approval and can be renewed within 12 months before its expiration. For a registered trademark licensing, licensor should file the licensing of the licensed trademark with the trademark bureau, and the trademark bureau shall announce the licensing, non-filing of the licensing of a trademark shall not be contested against a good faith third party. The following acts shall constitute infringement of the exclusive right to use a registered trademark: (i) using a trademark that is identical to a registered trademark of the same type of commodities without a license from the registrant of that trademark; (ii) using a trademark similar to a registered trademark of the same type of commodities without a license from the trademark registrant, or using of a trademark identical or similar to the registered trademark on similar commodities which easily causes confusion; (iii) selling commodities that infringe upon the exclusive right to use a registered trademark; (iv) forging or manufacturing without authorization the marks of a registered trademark, or selling marks of a registered trademark that are forged or manufactured without authorization; (v) changing another party's registered trademark and putting the commodities with the changed trademark into the market without the consent of the holder of that trademark; or (vi) intentionally providing facilitation for infringement upon others' right to exclusively use a registered trademark or aiding others in committing infringement upon the right to exclusively use a registered trademark; or (vii) other conduct that would hinder another party's exclusive right to use its registered trademark.

In addition, the PRC Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. 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. A trademark registration application may not prejudice the prior right obtained by others, nor may any person register in advance a trademark that has already been used and already gained a "sufficient level of reputation" through such party's use.

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Patent

The National People’s Congress adopted the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) in 1984 and amended it in 1992, 2000, 2008 and 2020 (the current revision became effective on June 1, 2021), and the Rules for the Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, last amended on January 9, 2010 and became effective on February 1, 2010. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term invention for a utility model and fifteen-year term invention for design, starting from the application date. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder, and shall be held liable for compensation to the patent holder and imposition a fine, or even subject to criminal liabilities.

According to the PRC Patent Law, if the Patent Office finds the application of an invention conforms to the legal requirements after its preliminary examination of such application documents, it shall publish the application promptly within 18 full months after the filing date. According to the Guidelines of Patent Examination (《專利審查指南》) that took effect on July 1, 2006, as amended in 2010, 2013, 2014, 2017, 2019 and 2020 the examination of patent shall include the preliminary examination, the substantive examination, examination of international applications entering the national phase and review. However, the above-mentioned regulations do not explicitly state how long it takes for a patent application to be approved or denied. In practice, it generally may take up to one year for the Patent Office to review and approve or deny applications of patents in the category of utility model or design and two to five years in the category of invention.

Domain Name

In June 2019, the China Internet Network Information Center (中國互聯網絡信息中心) (the “CNNIC”) issued the Implementation Rules for Registration of National First Tier Domain Names (《國家頂級域名註冊實施細則》), which became effective on June 18, 2019. On August 24, 2017, the MIIT promulgated the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) (the “Domain Name Measures”). The Domain Name Measures regulate the registration of domain names, such as the first-tier domain name “.cn.” In addition, the Domain Name Measures state that the MIIT shall supervise the domain names services nationwide and publicize PRC’s domain name system. On November 27, 2017, the MIIT issued the Notice of the MIIT on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) which has come into force on January 1, 2018. Internet access service providers shall verify the real

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identity information about the domain name registrant through the Recordation System and shall verify the status of domain names used by Internet information service providers through the Recordation System on a regular basis. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any shareholder of the entity), or the entity’s principal or senior manager.

Internet Infringement

Under the Civil Code, an internet user or an internet service provider that infringes upon the civil rights or interests of others through using the internet assumes tort liability. If an internet user infringes upon the civil rights or interests of another through using the internet, the person being infringed upon has the right to notify and request the internet service provider whose internet services are facilitating the infringement to take necessary measures including the deletion, blocking or disconnection of an internet link. If, after being notified, the internet service provider fails to take necessary measures in a timely manner to end the infringement, it will be jointly and severally liable for any additional harm caused by its failure to act.

REGULATIONS RELATED TO FOREIGN INVESTMENT

Foreign Investment Law

On March 15, 2019, the Second Session of the 13th National People’s Congress adopted the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) or the Foreign Investment Law, which came into effect as of January 1, 2020. Upon its enactment, the PRC Foreign Investment Law replaced the trio of original laws regulating foreign investment in China, namely, the Wholly Foreign-owned Enterprise Law (《外資企業法》), the Sino-foreign Cooperative Joint Venture Law of the PRC (《中外合作經營企業法》) and the Sino-foreign Equity Joint Venture Law of the PRC (《中外合資經營企業法》), together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. According to the Foreign Investment Law, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC law within China, and “foreign investment” refers to any foreign investor’s direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws.

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According to the Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for those industries listed to be either “restricted” or “prohibited” in the Negative List. The foreign investors shall not invest in the “prohibited” industries and shall meet certain requirements as stipulated under the Negative List for investing in “restricted” industries.

The Implementing Regulation of the Foreign Investment Law (《外商投資法實施條例》) was promulgated by the State Council on December 26, 2019, which took effect on January 1, 2020, replaced the Implementing Rules of the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), the Implementing Rules of the Sino-foreign Co-operative Enterprises Law of the PRC (《中華人民共和國中外合作企業法實施細則》) and the Implementing Rules of the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外商投資法實施條例》). According to the Implementing Regulation of the Foreign Investment Law, the Foreign Investment Law and its implementing regulation shall prevail in the event of discrepancy between the Foreign Investment Law and its implementing regulation and the relevant provisions on foreign investment promulgated prior to January 1, 2020. In addition, enterprises established prior to the effective date of the Foreign Investment Law shall adjust its legal form or governance structure to comply with the provisions of the Company Law (《中華人民共和國公司法》) or the Partnership Enterprises Law of the PRC (《中華人民共和國合夥企業法》), as applicable, and complete amendment registration before January 1, 2025. The Implementing Regulation of the Foreign Investment Law also set forth that foreign investors who invest in sectors on the Negative List, in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was promulgated by the Ministry of Commerce and the SAMR on December 30, 2019, which took effect on January 1, 2020 and has repealed the Interim Measures for the Administration of Record-filling 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(2018年修訂)》). Foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System.

Rules on Security Review of Foreign Investment (《外商投資安全審查辦法》) (the “Security Review Rules”), was promulgated by the NDRC and the Ministry of Commerce on December 19, 2020 and took effective on January 18, 2021. The Security Review Rules has set forth provisions concerning the security review mechanism on foreign investment, including the investments subject to review, review scopes and procedures. When deciding whether a (i) newly establishment of a foreign-invested enterprise; (ii) specific merger or acquisition of a domestic enterprise by foreign investors or (iii) a foreign investment in other form is subject to a security review by the Security Review Authority, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases,

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loans, control through contractual arrangements of offshore transaction. Factors that the Security Review Authority considers in its review include whether an important industry is involved and whether such foreign investment involves national security. If a business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company.

Foreign investment activities in the PRC are mainly governed by the Provisions for Guiding the Foreign Investment Direction (《指導外商投資方向規定》), the Industry Guidelines on Encouraged Foreign Investment (2022) (《鼓勵外商投資產業目錄(2022年版)》) and the Special Administrative Measures (Negative List) for the Access of Foreign Investments (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “Negative List”), pursuant to which the industries listed therein are divided into four categories in terms of foreign investment, namely, “encouraged”, “permitted”, “restricted” and “prohibited”.

Foreign Investment in Value-Added Telecommunication Business

According to the Negative List, the proportion of foreign investments in an entity engages in value-added telecommunication business (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

According to the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “FITE Regulations”), promulgated by the State Council on December 11, 2001 and last amended on March 29, 2022, and became effective on May 1, 2022, which set forth detailed requirements including capitalization and application procedures concerning the establishment of a foreign-invested telecommunications enterprise. Pursuant to the FITE Regulations, foreign investors are prohibited from holding more than 50% of equity interest in a foreign-invested enterprise that provides value-added telecommunications services, unless otherwise stipulated by the State.

On July 13, 2006, the Ministry of Information Industry of the PRC (the predecessor of the MIIT), issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunication Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “Ministry of Information Industry Circular”), which provides that (a) foreign investors can only operate telecommunications business in China through telecommunications enterprises with valid telecommunications business operation license; (b) domestic licensees may not rent, transfer or sell telecommunications business licenses to foreign investors in any form or provide any foreign investors with resources, venues or facilities to promote unlicensed operations of telecommunications businesses in China; (c) value-added telecommunication service providers or their shareholders must directly own the domain names and registered trademarks that are used in their daily operations; (d) each value-added telecommunication service provider must have necessary facilities for its approved business operations and maintain such facilities in the geographic regions specified in its license; and (e) all value-added telecommunication service providers should improve their network and information security, establish relevant information safety system and set up emergency plans to ensure network and information safety.

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REGULATIONS RELATED TO FOREIGN EXCHANGE

According to the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), issued by the State Council on January 29, 1996 and last revised on August 5, 2008, the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, as well as the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals, shall be subject to foreign exchange administration. Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside of the PRC unless the approval from the State Administration of Foreign Exchange (the “SAFE”), or its local counterpart is obtained in advance.

Pursuant 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》), which was issued by the SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of an publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with SAFE or its local branches through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures with respect to the stock incentive plan.

On July 4, 2014, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《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”), which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE on October 21, 2005. The 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, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” Pursuant to the SAFE Circular 37, “control” refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. The SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as change of shareholders of the special purpose vehicle, 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

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activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On March 30, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《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”), which took effect on June 1, 2015 and amended in 2019 and 2023, in replacement of former regulations. Under the SAFE Circular 19, a foreign-invested enterprise, within the scope of business, may also choose to convert its registered capital from foreign currency to RMB on a discretionary basis, and the RMB capital so converted can be used for equity investments within PRC, which will be regarded as the reinvestment of foreign-invested enterprise.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated on February 13, 2015 and became effective on June 1, 2015, and amended on December 30, 2019, the foreign exchange administration policies for direct investment are further simplified. This includes: (a) canceling the two administrative approvals, namely the foreign exchange registration approvals under domestic and overseas direct investments, which shall be verified directly by banks instead; (b) simplifying the management of registration and confirmation of capital contribution by foreign investors under domestic direct investment; and (c) canceling the annual foreign exchange inspection of direct investments.

In addition, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《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 “Circular 16”), effective on June 9, 2016, which reiterates some of the rules set forth in the Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties.

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REGULATIONS RELATED TO TAX

Enterprise Income Tax Law

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “Enterprise Income Tax Law”), which was issued by the National People’s Congress on March 16, 2007 and last revised by the SCNPC on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》) (the “Enterprise Income Tax Regulation”), issued by the State Council on December 6, 2007 and became effective on January 1, 2008 and recently amended on April 23, 2019 and became effective on the same date, taxpayers consist of resident enterprises and non-resident enterprises. Enterprises that are established in China under the PRC laws, or that are established under the laws of foreign countries or regions but whose “de facto management bodies” are located in the PRC, are considered as resident enterprises. Enterprises that are established under the laws of foreign countries or regions and whose “de facto management bodies” are located 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, are considered as non-resident enterprises. The defined “de facto management bodies” are “establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, and properties” of the enterprise. The enterprise income tax is set at the rate of 25% for the global income of resident enterprises. If non-resident enterprises have no established institutions or premises in the PRC, or have established such institutions or premises but there is no actual relationship between the relevant income derived in the PRC and such established institutions or premises, the enterprise income tax is set at the rate of 10% for its income sourced from inside the PRC.

Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Science and Technology, the MOF and the SAT on April 14, 2008 and last revised on January 29, 2016 and came into effect on January 1, 2016, the certificate of a high and new technology enterprise is valid for three years. The Administrative Measures for the Recognition of High and New Technology Enterprises and the Enterprise Income Tax Law regulate the sort of enterprises that are eligible for the tax reduction. An enterprise shall satisfy the following requirements in order to be determined as a high and new technology enterprise: (i) the enterprise shall be registered for more than one year when applying for identification; (ii) the enterprise has already owned the intellectual property which plays a critical role in their main products (services) through independent research, assignee, accepting donation, mergers and acquisitions; (iii) the technology which plays a key role in its key products (services) has fallen within the range prescribed in the High and New Technology Areas Entitled to the Key Support of the State; (iv) the total number of scientific and technological personnel in its employment accounts for at least 10 percent of the total number of its employees during the current year; (v) the percentage of total research and development expenses of the enterprise in the last three fiscal years to the total sales revenue in the same period meets the relevant requirements; (vi) the revenue from high and new technology products (services) accounts for at least 60 percent

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of the total revenue of the enterprise during the current year; (vii) no major product safety, quality accidents or serious environmental violations have occurred within one year of the application; and (viii) the innovation capability evaluation of the enterprise shall meet the corresponding requirements.

Value Added Tax

According to the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例》) (the “VAT”), issued by the State Council on December 13, 1993 and last revised on November 19, 2017, and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) issued by the Ministry of Finance (the “MOF”), on December 25, 1993 and last revised on October 28, 2011, entities and individuals selling goods in the PRC or providing processing services, repair services and importation services should be subject to VAT, and the payable tax amount shall be calculated by deducting input tax for the current period from output tax for the current period.

According to the Notice of Taxation on Implementing the Pilot Program of Replacing Business Tax with VAT in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) issued jointly by the MOF and SAT on March 23, 2016 and partly amended by the MOF, SAT and the General Administration of Customs on March 20, 2019 and which became effective on April 1, 2019, the countrywide pilot practice of levying VAT in lieu of business tax (the “Pilot Practice”), has been carried out since May 1, 2016. According to the specific regulatory documents for the Pilot Practice, including the Implementation Measures for the Pilot Practice of Levying VAT in lieu of Business Tax (《營業稅改徵增值稅試點實施辦法》), the VAT rates vary from 17%, 11%, 6%, 3% to 0% for taxpayers incurring taxable activities. According to the Notice of the MOF and SAT on Adjusting the Value-added Tax Rate (《財政部、國家稅務總局關於調整增值稅稅率的通知》) effective on May 1, 2018, the VAT tax rates on sales, imported goods that were previously subject to 17% and 11% are now adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and came into effect on April 1, 2019, the VAT tax rates on sales, imported goods that were previously subject to 16% and 10% are now adjusted to 13% and 9%, respectively.

Withholding Income Tax

According to the Enterprise Income Tax Law and the Enterprise Income Tax Regulation (《企業所得稅法實施條例》), dividends generated after January 1, 2008 and payable by foreign-invested enterprises in the PRC to foreign enterprise investors shall be subject to a 10% withholding tax unless a tax treaty with different withholding tax arrangements has been made between the PRC and the jurisdiction of the relevant foreign enterprises. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region

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for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes 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》) issued by SAT on August 21, 2006 and came into effect on December 8, 2006, if the shareholders of a PRC company are Hong Kong residents holding at least 25% of the registered capital of the PRC company, a withholding tax rate of 5% applies to any dividends declared by the PRC company, or if the shareholders of a PRC company are Hong Kong residents holding less than 25% of registered capital, a withholding income tax rate of 10% applies.

According to Announcement of SAT on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements (《國家稅務總局關於發布<非居民納稅人享受稅收協定待遇管理辦法>的公告》) effective on November 1, 2015 and partly amended on June 15, 2018 which is replaced by the Notice of SAT on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements (《國家稅務總局關於發布<非居民納稅人享受協定待遇管理辦法>的公告》) issued on October 14, 2019 and effective on January 1, 2020, the withholding tax rate of 5% does not automatically apply, and 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.

Pursuant to the Announcement on Matters Concerning “Beneficial Owners” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), issued by the SAT on February 3, 2018 and came into effect on April 1, 2018, when determining an applicant’s “beneficial owner” status regarding tax treatments in connection with dividends, interests or royalties in tax treaties, several factors set forth below will be taken into account, although the actual analysis will be fact-specific: (i) whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in a third country or region; (ii) whether the business operated by the applicant constitutes a substantial business operation; and (iii) whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate. The applicant must submit relevant documents to the competent tax authorities to prove his or her “beneficial owner” status.

In addition, PRC entities are also required to withhold a 10% (or 7% if paid to a Hong Kong resident who qualifies for the benefits of the Arrangement between China and Hong Kong) tax on interest paid under any cross-border shareholder loans. Prior to the payment of any interest and principal on any such shareholder loan, our PRC subsidiaries must present evidence of registration with SAFE regarding any such shareholder loan and may be required to provide evidence of payment of withholding tax on the interest payable on that shareholder loan.

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Cultural Development Fee

According to the Supplementary Notice on Issues Relating to Cultural Undertaking Development Fee Policies Relating to the Pilot Scheme of Levying VAT in Place of Business Tax and Administration of Levying (《關於營業稅改徵增值稅試點有關文化事業建設費政策及徵收管理問題的補充通知》) effective as from May 1, 2016, advertising service providers are generally required to pay a cultural development fee at the rate of 3% on the billed sales amount obtained from the provision of advertising services offset by the after-tax payment made to other advertising service providers or publishers. According to the Notice of the Ministry of Finance on Adjusting the Relevant Policies of Certain Government-Managed Funds (《財政部關於調整部分政府性基金有關政策的通知》) issued by the Ministry of Finance, and relevant local policies, from July 1, 2019 to December 31, 2024, construction fee of cultural undertakings have been reduced by 50% in certain jurisdictions. Our PRC subsidiaries are subject to this policy.

REGULATIONS RELATED TO LABOR

The Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, and last amended on December 29, 2018 and became effective on the same date, provides that employees are entitled to equal opportunities in employment, selection of occupations, receiving labor remuneration, rest days and holidays, protection of occupational safety and healthcare, social insurance and welfare. Employers must establish and improve the system for occupational safety and healthcare, provide training on occupational safety and healthcare to employees, comply with national and local regulations on occupational safety and healthcare, and provide necessary labor protective supplies to employees.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) issued by the SCNPC on June 29, 2007 and last revised on December 28, 2012 and came into effect on July 1, 2013, requires every employer to enter into a written contract of employment with each of its employees. The employer shall not force the employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The wage of each employee shall be no less than the local standard on minimum wages.

REGULATIONS RELATED TO SOCIAL INSURANCE AND HOUSING PROVIDENT FUNDS

In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) issued by the SCNPC on October 28, 2010 and last amended on December 29, 2018 and became effective on the same date, an employee shall participate in five types of social insurance funds, including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance. The premiums for maternity insurance and occupational injury insurance are paid by the employer, while the premiums for pension insurance, medical insurance and unemployment insurance are paid by both the employer and the employee. If the employer fails to fully contribute to social insurance funds on time, the

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collection agency for such social insurance may demand the employer to make full payment or to pay the shortfall within a set period and collect a late charge. If the employer fails to pay after the due date, the relevant government administrative body may impose a fine on the employer.

In accordance with the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》) issued by the State Council on April 3, 1999 and last revised on March 24, 2019 and came into effect on the same date, enterprises must register with the competent managing center for housing funds and shall contribute to the Housing Provident Fund for any employee on its payroll. Where an employer fails to pay up housing provident funds within the prescribed time limit, the employer may be fined and ordered to make payment within a certain period.

REGULATION RELATED TO ANTI-UNFAIR COMPETITION AND ANTI-MONOPOLY OF PLATFORM ECONOMY SECTOR

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), which was adopted by the SCNPC on September 2, 1993, became effective as of December 1, 1993, and last amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

The Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC, which amended on June 24, 2022 and became effective on August 1, 2022, and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings (《關於經營者集中申報標準的規定》) promulgated by the State Council on August 3, 2008, and latest amended on September 18, 2018, require that where a concentration reaches one of the following thresholds, a declaration must be lodged in advance with the anti-monopoly law enforcement agency under the State Council, or otherwise the concentration shall not be implemented: (i) during the previous fiscal year, the total global turnover of all undertakings participating in the concentration exceeded RMB10 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within China; or (ii) during the previous fiscal year, the total turnover within China of all the undertakings participating in the concentration exceeded RMB2 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within China.

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On March 10, 2023, the SAMR further issued the Provisions on the Review of Concentrations of Undertakings (《經營者集中審查規定》), which effected on April 15, 2023. According to the Provisions, concentration refers to (i) a merger of undertakings; (ii) acquiring control over other undertakings by acquiring equities or assets; or (iii) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means.

On February 7, 2021, the Anti-monopoly Committee of the State Council published the Anti-monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) (the “Guideline”) which became effective on the same day and will operate as a compliance guidance under the existing PRC anti-monopoly laws and regulations for platform economy operators. The Guideline provides that the calculation of turnover in the field of platform economy may be different depending on the business model of the operators: for platform operators who only provide information matchings and collect commissions, their turnovers should be calculated including the service fee charged by the platform and other platform income; for the platform operators who participate in the market competition on the platform side, their turnovers shall be calculated including the transaction amount involved in the platform and other platforms. The concentration of undertakings involving the agreement control (VIE) structure falls within the scope of the antitrust review of concentration of undertakings. Where the concentration of undertakings meets the declaration standards set by the State Council, the operators shall declare to the Antimonopoly Law Enforcement Agency of the State Council in advance, and the concentration shall not be implemented if the concentration is not declared. According to the Anti-Monopoly Law of the PRC, if business operators fail to comply with the mandatory declaration requirement, the antimonopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to RMB500,000.

In August 2021, the SAMR issued the Provisions on Preventing Unfair Online Competition (Draft for Public Comments) (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), which mainly regulates the production and operation activities of business operators through the Internet and other information networks, and specifically stipulates the general norms of online competition, prohibits the use of technical means to impede, interfere or conduct other unfair competition behaviors and prohibits the use of technical means to conduct other online unfair competition behaviors.

On September 11, 2020, the Anti-Monopoly Committee of the State Council issued the Anti-Monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which gave guidance on compliance management system, compliance risk focus, compliance risk management, and compliance management guarantee on the basis of the Anti-Monopoly Law to encourage the operators prevent the compliance risk of the Anti-Monopoly Law. According to the Anti-Monopoly Compliance Guideline for Operators, it only provides general guidelines for operators’ anti-monopoly compliance, and is not mandatory.

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REGULATIONS RELATED TO M&A AND OVERSEAS LISTINGS

The Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the SAT, the State Administration for Industry and Commerce, the China Securities Regulatory Commission (the “CSRC”) and the SAFE jointly adopted the Provisions on Foreign Investors’ Merger with and Acquisition of Domestic Enterprises (the “M&A Rules”) (《關於外國投資者併購境內企業的規定》). The M&A Rules require in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise where any of the following situations exist: (i) the transaction involves an important industry in China, (ii) the transaction may affect national economic security, or (iii) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. The M&A Rules, among other things, also require that (i) PRC entities or individuals obtain Ministry of Commerce approval before they establish or control an SPV overseas, provided that they intend to use the SPV to acquire their equity interests in a PRC company at the consideration of newly issued share of the SPV (the “Share Swap”), and list their equity interests in the PRC company overseas by listing the SPV in an overseas market; (ii) the SPV obtains Ministry of Commerce’s approval before it acquires the equity interests held by the PRC entities or PRC individual in the PRC company by Share Swap; and (iii) the SPV obtains CSRC approval before it lists overseas.

The Security Review System for the 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》) Rules issued by the Ministry of Commerce that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “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 are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

On February 17, 2023, the CSRC promulgated 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 “Trial Measures”) and five supporting guidelines, which took effect on March 31, 2023. According to the Trial Measures, PRC domestic companies that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. The Trial Measures provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (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 fiscal year is accounted for by PRC domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main places of operations are located in mainland China, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC. Where an issuer submits an application for initial public offering to competent

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overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. A domestic company that seeks to directly or indirectly list its domestic assets in overseas markets through single or multiple acquisitions, share swaps, transfers of shares or other means, shall fulfill the filing procedure as prescribed thereunder.

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 took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same 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 perform the corresponding procedures pursuant to the relevant provisions of the State.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

OVERVIEW

As of the Latest Practicable Date, Mr. Song, through SK Family Trust, Future Exploration, Funplus and Vanker and by virtue of the Voting Proxy Agreements, controlled the voting rights of 75,489,822 Shares of the Target Company, representing approximately 51.92% of the total issued share capital of the Target Company. Among which, Mr. Song held approximately 36.42% of the total issued shares of the Target Company indirectly through SK Family Trust, Future Exploration, Funplus and Vanker. Funplus and Vanker held 35,219,799 ordinary Shares and 17,723,079 Series Angel Preferred Shares, respectively, representing approximately 24.23% and 12.19% of the total issued shares of the Target Company, respectively. Both of Funplus and Vanker are wholly owned by Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust, of which Mr. Song is the founder and settlor and the beneficiaries of which are Mr. Song and Exploring Time Limited (wholly owned by Mr. Song). Future Exploration, Funplus and Vanker, being the investment holding companies, are not engaged in other business activities.

In addition to the above, as of the Latest Practicable Date, Mr. Song is also entitled to exercise in aggregate 15.50% of the voting rights of the Target Company, pursuant to three voting proxy agreements (each a “**Voting Proxy Agreement**”, together, the “**Voting Proxy Agreements**”) dated September 23, 2021, entered into among Mr. Song and: (i) Mr. Chen Guangyao and Peerless Hero as to the voting rights of 10,006,722 ordinary Shares in the Target Company held by Peerless Hero, representing 6.88% of the voting rights of the Target Company as of the Latest Practicable Date; (ii) Mr. Du Guo and Yun Qu as to the voting rights of 7,549,852 ordinary Shares in the Target Company held by Yun Qu, representing 5.19% of the voting rights of the Target Company as of the Latest Practicable Date; and (iii) Mr. Qiu Zhizhao and Fiery Dragon as to the voting rights of 4,990,370 ordinary Shares (each of the 10,006,722 ordinary Shares, 7,549,852 ordinary Shares and 4,990,370 ordinary Shares, the “**Subject Shares**”) in the Target Company held by Fiery Dragon, representing 3.43% of the voting rights of the Target Company as of the Latest Practicable Date, respectively. Pursuant to the Voting Proxy Agreements, Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the above Shares held by Peerless Hero, Yun Qu and Fiery Dragon. Each of the Voting Proxy Agreements will be terminated: (i) with the written consent of the parties therein; or (ii) when Mr. Chen Guangyao, Mr. Du Guo or Mr. Qiu Zhizhao (as the case may be) or his close associate ceases to hold any of the Subject Shares directly or indirectly. The primary reason for entering into the Voting Proxy Agreements are to affirm support and confidence of Mr. Chen Guangyao, Mr. Du Guo and Mr. Qiu Zhizhao as proxy granters in the direction and vision of Mr. Song as the founder to continuously manage the Target Group’s business and steer overall strategic planning, and to reflect the importance of Mr. Song’s leadership in the Target Group’s continued growth and development with stronger control.

Immediately following the Closing (assuming the Presumptions), the Controlling Shareholders, namely Mr. Song, through SK Family Trust, Future Exploration, Funplus and Vanker and by virtue of the Voting Proxy Agreements, will control the voting rights of 426,559,040 Successor Company Shares, representing approximately 43.62% of the total issued share capital of the Successor Company. Funplus and Vanker held approximately

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

20.35% and 10.24% of the total issued shares of the Successor Company, respectively. Both of Funplus and Vanker are wholly owned by Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust, of which Mr. Song is the founder and settlor and the beneficiaries of which are Mr. Song and Exploring Time Limited (wholly owned by Mr. Song). On September 23, 2021, Mr. Song entered into Voting Proxy Agreements, pursuant to which Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the 10,006,722 Target Company Shares, 7,549,852 Target Company Shares and 4,990,370 Target Company Shares held by Peerless Hero, Yun Qu and Fiery Dragon, respectively (as adjusted to 56,543,487 Successor Company Shares, 42,660,819 Successor Company Shares and 28,198,337 Successor Company Shares upon Capitalization Issue, respectively). Accordingly, Mr. Song, Future Exploration, Funplus and Vanker are regarded as the Controlling Shareholders of the Successor Company. Mr. Song will be an executive Director of the Successor Company. For further background of Mr. Song, see “Directors and Senior Management of the Successor Company” in this circular.

INDEPENDENCE OF THE BUSINESS

Having considered the following factors, the Directors of the Successor Company are satisfied that the Successor Group is capable of carrying on its business independently from the Controlling Shareholders and their respective close associates following the Closing.

Management Independence

Upon the Closing, the Successor Board will consist of three executive Directors, one non-executive Director and three independent non-executive Directors, and the senior management team of the Successor Company will comprise four members.

The executive Directors and the senior management team are responsible for the day-to-day management of our operations. Notwithstanding the roles of the Controlling Shareholders, the Directors of the Successor Company are of the view that the Successor Company is able to function independently from the Controlling Shareholders for the following reasons:

- (i) all three independent non-executive Directors are independent of the Controlling shareholders and decisions of the Board require the approval of a majority vote from the Successor Board;
- (ii) the Successor Company has appointed three independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors with a view to promote the interests of the Successor Company and the shareholders as a whole;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

- (iii) the Successor Company has established internal control mechanisms to identify connected transactions to ensure that its shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions;
- (iv) in the event that there is potential conflict of interest arising out of any transaction to be entered into between the Successor Company and the Directors of the Successor Company or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interests and shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum; and
- (v) each of the Directors is aware of his fiduciary duties and responsibilities under the Listing Rules as a director, which require that he or she acts for the benefit and in the best interest of the Successor Company and does not allow any conflict between his duties as a Director and his personal interests.

Based on the above, the Directors believe that the Successor Board and senior management as a whole are able to play a managerial role in the Successor Company independently from the Controlling Shareholders and his close associates after the Listing.

Operational Independence

The Successor Group is not operationally dependent on the Controlling Shareholders. The Successor Company (through our subsidiaries and Consolidated Affiliated Entities) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on the business. The Successor Company has sufficient capital, facilities, equipment and employees to operate its business independently from the Controlling Shareholders. The Successor Company also has independent access to its customers.

Pursuant to the Contractual Arrangements, the Directors of the Successor Company are authorized to exercise all of the rights of the Registered Shareholders of Guangzhou Quwan. The Successor Group is entitled to enjoy all the economic benefits of the Consolidated Affiliated Entities and to exercise management control over its operations. Pursuant to the Exclusive Call Option Agreement, Guangzhou Yongjie, the indirect wholly owned subsidiary of the Target Company, has been granted an irrevocable and exclusive option to purchase all or part of the equity interest or assets of Guangzhou Quwan at nominal consideration or the lowest price permitted by applicable PRC laws and regulations. In addition, the Exclusive Technical Service Agreement provides that Guangzhou Yongjie has the exclusive proprietary rights and interests in any and all intellectual property rights created or developed by the Consolidated Affiliated Entities during the performance of the Exclusive Technical Service Agreement.

Based on the above, the Directors of the Successor Company believe that the Successor Group is able to operate independently of our Controlling Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

Financial Independence

The Successor Group has its own independent financial, internal control and accounting systems. It makes financial decisions and determines its use of funds according to its own business needs. The Successor Company has opened accounts with banks independently and do not share any bank account with the Controlling Shareholders. The Successor Company has made tax filings and paid tax independently of the Controlling Shareholders pursuant to applicable laws and regulations. The Successor Company has established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. The Successor Company has adequate internal resources to support our daily operation. The Successor Company does not expect to rely on the Controlling Shareholders or any of their close associates for financing after the Listing as the Successor Company expects that its working capital will be funded by the Pre-Listing Investors’ investments as well as the proceeds from the De-SPAC Transaction.

As of the Latest Practicable Date, there was no outstanding loan extended by the Controlling Shareholders or their close associates to the Target Group and no guarantee has been provided for our benefit by the Controlling Shareholders or any of their close associates.

Based on the above, the Directors of the Successor Company consider that there is no financial dependence on the Controlling Shareholders or any of their close associates.

COMPETITION

Save and except for the interests of the Controlling Shareholders in the Successor Company, its subsidiaries and the Consolidated Affiliated Entities, the Controlling Shareholders, their close associates and the Directors of the Successor Company do not have any interest in any business, other than the Successor Group, which competes or is likely to compete, either directly or indirectly, with the Successor Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

The Successor Company will comply with the provisions of the Corporate Governance Code which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders, except for code provision C.2.1 of Part 2 of the Corporate Governance Code, details of which are set out in the section headed “Directors and Senior Management of the Successor Company – Corporate Governance – Corporate Governance Code”.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS OF THE SUCCESSOR GROUP

The Directors of the Successor Company recognize the importance of good corporate governance to protect the interests of its Shareholders. The Successor Company has adopted the following corporate governance measures to safeguard good corporate governance standards and to avoid potential conflict of interests between the Successor Group and the Controlling Shareholders:

- (i) the Successor Company has established internal control mechanisms to identify connected transactions. Upon Listing, if the Successor Group enters into connected transactions with the Controlling Shareholders or their close associates, the Successor Company will comply with the applicable requirements under the Listing Rules;
- (ii) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their close associates has any material interest, the Controlling Shareholders and their close associates (as applicable) will not vote on the resolutions and shall not be counted in the quorum for the voting;
- (iii) the Board of the Successor Company consists of a balanced composition of executive and independent non-executive Directors, with not less than one-third of independent non-executive Directors to ensure that the Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to its Shareholders. The independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between the Successor Group and the Controlling Shareholders and provide impartial and professional advice to protect the interests of the minority Shareholders;
- (iv) where the advice from an independent professional, such as a financial or legal adviser, is reasonably requested by the Directors of the Successor Company (including the independent non-executive Directors), the appointment of such an independent professional will be made at the Successor Company's expenses; and
- (v) The Successor Company has appointed Rainbow Capital (HK) Limited as the Compliance Adviser, who will provide advice and guidance to the Successor Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance matters.

Based on the above, the Directors of the Successor Company are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests between the Successor Group and the Controlling Shareholders and to protect the minority Shareholders' rights after the Listing.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of (i) the authorized and issued share capital of Vision Deal as of the Latest Practicable Date; (ii) the authorized and issued share capital of the Target Company as of the Latest Practicable Date; and (iii) the authorized and issued share capital of the Successor Company immediately following the Closing:

1. Share capital of Vision Deal as of the Latest Practicable Date

(i) Authorized share capital

Shares	Description of shares	HK\$
1,000,000,000	SPAC Class A Shares of a par value of HK\$0.0001 each	100,000
100,000,000	SPAC Class B Shares of a par value of HK\$0.0001 each	10,000
1,100,000,000	Total	110,000

(ii) Issued share capital

Shares	Description of shares	HK\$
100,100,000	SPAC Class A Shares of a par value of HK\$0.0001 each	10,010
25,025,000	SPAC Class B Shares of a par value of HK\$0.0001 each	2,502.50
125,125,000	Total	12,512.50

As of the Latest Practicable Date, there were 50,050,000 SPAC Listed Warrants and 35,000,000 SPAC Promoter Warrants in issue. Immediately following the Effective Time, all such warrants will be automatically canceled and cease to exist.

SHARE CAPITAL

2. Share capital of the Target Company as of the Latest Practicable Date

The following is a description of the authorized and issued share capital of the Target Company.

(i) *Authorized Share Capital⁽¹⁾*

Number of shares	Description of shares	Aggregate nominal value of shares (US\$)
420,628,721	Target Company Ordinary Shares of US\$0.0001 each	42,062.87
79,371,279	Target Company Preferred Shares	7,937.13

Note:

- (1) The authorized share capital of the Target Company was US\$50,000 divided into 420,628,721 Target Company Ordinary Shares, 28,163,933 Series Angel Preferred Shares, 23,386,682 Series A Preferred Shares, 12,992,601 Series B Preferred Shares, 5,197,041 Series B+ Preferred Shares and 9,631,022 Series C Preferred Shares.

(ii) *Issued Share Capital⁽¹⁾*

Number of shares	Description of shares	Aggregate nominal value of shares (US\$)
66,012,790	Target Company Ordinary Shares of US\$0.0001 each	6,601.28
79,371,279	Target Company Preferred Shares	7,937.13
145,384,069	Total	14,538.41

Note:

- (1) As at the date of this circular, 66,012,790 Target Company Shares, 28,163,933 Series Angel Preferred Shares, 23,386,682 Series A Preferred Shares, 12,992,601 Series B Preferred Shares, 5,197,041 Series B+ Preferred Shares and 9,631,022 Series C Preferred Shares are issued and fully paid up. Each Target Company Preferred Share will be converted into Target Company Shares and redesignated and reclassified as Successor Company Shares at the conversion ratio of 1:1 immediately prior to the Closing.

SHARE CAPITAL

3. Share capital of the Successor Company immediately following the Closing

The following is a description of the authorized and issued share capital of the Successor Company immediately following the Closing.

(i) Authorized Share Capital

Number of shares	Description of shares	Aggregate nominal value of shares (US\$)
5,000,000,000	Successor Company Shares with a par value of US\$0.0001 each	500,000

(ii) Issued Share Capital

Number of shares	Description of shares	Aggregate nominal value of shares (US\$)
889,633,492	Successor Company Shares held by the existing Target Company Shareholders and the Vision Deal Class A Shareholders ⁽¹⁾	88,963.35
63,186,508	Successor Company Shares held by the PIPE Investors	6,318.65
25,025,000	Successor Company Shares held by the Promoters	2,502.50
977,845,000	Total	97,784.50

Note:

- (1) This includes (i) 145,384,069 Successor Company Shares in issue as at the Latest Practicable Date, (ii) 676,115,931 Successor Company Shares to be issued pursuant to the Capitalization Issue and (iii) 68,133,492 Successor Company Shares to be issued as a result of the Merger.

ASSUMPTIONS

The above tables have been prepared assuming the Presumptions. The above tables also do not take into account any Shares which may be issued or repurchased by the Successor Company under the general mandates granted to the Directors of the Successor Company as referred to below and any Successor Company Shares which may be issued pursuant to the exercise of options granted under the 2020 Plan.

SHARE CAPITAL

As of the Latest Practicable Date, there are no warrants issued over the Target Company Shares.

Immediately following the Closing, 50,050,000 Successor Company Listed Warrants constituted by the Successor Company Listed Warrant Instrument and 35,000,000 Successor Company Promoter Warrants constituted by the Successor Company Promoter Warrant Agreement will be in issue.

RANKING

The Successor Company Shares to be issued upon Closing will rank *pari passu* in all respects with all Successor Company Shares to be issued as mentioned in this circular, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Successor Company Shares on a record date which falls after Closing.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

Upon Closing, the Successor Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Successor Company Memorandum of Association and Articles of Association, the Successor Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its share capital into shares of larger amount, (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, the Successor Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Successor Company and Cayman Islands Company Law – 2. Articles of Association – 2.4 Alteration of capital” in Appendix V to this circular for further details.

Employee incentive

The Target Company has adopted the 2020 Global Employee Incentive Plan on December 31, 2020 and the Post-Listing Share Incentive Plan on [●]. Please see the section headed “Statutory and General Information – E. Employee Incentive Plans” in Appendix VII to this circular for further details.

SHARE CAPITAL

General mandate to issue Successor Company Shares by the Successor Company

Subject to the Closing, the Directors of the Successor Company have been granted a general unconditional mandate to allot, issue and deal with Successor Company Shares with a total number of not more than the sum of:

- 20% of the number of Successor Company Shares in issue immediately following the Closing; and
- the total number of Shares repurchased by the Successor Company under the authority referred to in the paragraph headed “– General mandate to repurchase Successor Company Shares by the Successor Company” in this section.

This general mandate to issue Successor Company Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of the Successor Company unless otherwise renewed by an ordinary resolution of the Successor Company Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which the next annual general meeting of the Successor Company is required to be held by any applicable law or the Articles of Association; or
- the date on which it is varied or revoked by an ordinary resolution of the Successor Company Shareholders passed in a general meeting.

See the section headed “Statutory and General Information – B. Further Information about the Successor Group – 3. Resolutions of the Successor Company Shareholders” in Appendix VII to this circular for further details of this general mandate to allot, issue and deal with the Successor Company Shares.

SHARE CAPITAL

General mandate to repurchase Successor Company Shares by the Successor Company

Subject to the Closing, the Directors of the Successor Company have been granted a general unconditional mandate to exercise all the powers of the Successor Company to repurchase its own shares with a total number of up to 10% of the total number of the Successor Company Shares in issue immediately following the Closing and to repurchase its own warrants with a total number of up to 10% of the total number of the Successor Company Warrants in issue immediately following the Closing.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Successor Company Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – B. Further Information about the Successor Group – 6. Repurchases of Successor Company Shares by the Successor Company” in Appendix VII to this circular.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of the Successor Company unless otherwise renewed by an ordinary resolution of the Successor Company Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which the next annual general meeting of the Successor Company is required to be held by any applicable law or the Articles of Association; or
- the date on which it is varied or revoked by an ordinary resolution of the Successor Company Shareholders passed in a general meeting.

See the section headed “Statutory and General Information – B. Further Information about the Successor Group – 3. Resolutions of the Successor Company Shareholders” in Appendix VII to this circular for further details of this general mandate to repurchase Shares.

SUBSTANTIAL SHAREHOLDERS FOLLOWING THE DE-SPAC TRANSACTION

SUBSTANTIAL SHAREHOLDERS

So far as the Directors of the Successor Company are aware, immediately following the Closing and assuming the Presumptions, the following persons will have interests or short positions in the Successor Company Shares or underlying Successor Company Shares which would fall to be disclosed to the Successor Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Successor Company carrying rights to vote in all circumstances at general meetings of the Successor Company or any other member of the Successor Group:

Name of Shareholder	Capacity/Nature of Interest	Number of Successor Company Shares interested upon completion of the De-SPAC Transaction ⁽¹⁾	Approximate percentage of shareholding in the total issued Successor Company Shares upon completion of the De-SPAC Transaction ⁽²⁾ (%)
Mr. Song ⁽³⁾	Founder of a trust; Interest in controlled corporation	396,940,897	40.59
	Interest of a party to an agreement regarding interest in the Successor Company	127,402,643	13.03
Cantrust (Far East) Limited ⁽³⁾	Trustee	299,156,397	30.59
Future Exploration ⁽³⁾	Interest in controlled corporation	299,156,397	30.59
Funplus ⁽³⁾	Beneficial interest	199,011,247	20.35
Vanker ⁽³⁾	Beneficial interest	100,145,150	10.24
Kastle Limited ⁽³⁾	Trustee	97,784,500	10.00
Quwan EOR Limited ⁽³⁾	Beneficial interest	97,784,500	10.00
Eric Li ⁽⁴⁾	Interest in controlled corporation	105,528,695	10.79
Parallel Universes Asset Management Limited ⁽⁴⁾	Interest in controlled corporation	50,467,184	5.16
Skycus China Fund, L.P. ⁽⁴⁾	Beneficial interest	50,467,184	5.16
Duckling Fund, L.P. ⁽⁴⁾	Beneficial interest	55,061,511	5.63
Grandiflora Hook GP Limited ⁽⁴⁾	Interest in controlled corporation	55,061,511	5.63
Matrix China VI GP GP, Limited ⁽⁵⁾	Interest in controlled corporation	84,615,013	8.65
Matrix China Management VI, L.P. ⁽⁵⁾	Interest in controlled corporation	84,615,013	8.65
Matrix Partners China VI, L.P. ⁽⁵⁾	Beneficial interest	76,348,128	7.81
Mr. Song Guowen ⁽⁶⁾	Interest in controlled corporation	49,604,424	5.07
Dream League Limited ⁽⁶⁾	Beneficial interest	49,604,424	5.07
Mr. Chen Guangyao ⁽⁷⁾	Interest in controlled corporation	56,543,487	5.78
Peerless Hero ⁽⁷⁾	Beneficial interest	56,543,487	5.78

SUBSTANTIAL SHAREHOLDERS FOLLOWING THE DE-SPAC TRANSACTION

Notes:

- (1) This refers to the number of Successor Company Shares held assuming that all of the Target Company Preferred Shares have been converted into the Successor Company Shares on a one-to-one basis.
- (2) The approximate percentage of shareholding in the total issued Successor Company Shares is calculated based on the total number of 977,845,000 Successor Company Shares on an as-converted basis outstanding immediately after the Closing assuming the Presumptions.
- (3) Funplus, a company incorporated in the BVI with limited liability, holds 35,219,799 Target Company Shares of the Successor Company. Vanker, a company incorporated in the BVI with limited liability, holds 17,723,079 Series Angel Preferred Shares. Both of Funplus and Vanker are wholly owned by Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust, of which Mr. Song is the founder and settlor and the beneficiaries of which are Mr. Song and Exploring Time Limited (wholly owned by Mr. Song). Each of Mr. Song, Cantrust (Far East) Limited and Future Exploration is deemed to be interested in the 199,011,247 Successor Company Shares held by Funplus and 100,145,150 Successor Company Shares held by Vanker.

On September 23, 2021, Mr. Song entered into voting proxy agreements with: (i) Mr. Chen Guangyao and Peerless Hero as to the voting rights of 10,006,722 ordinary shares in the Target Company held by Peerless Hero, (ii) Mr. Du Guo and Yun Qu as to the voting rights of 7,549,852 ordinary shares in the Target Company held by Yun Qu, and (iii) Mr. Qiu Zhizhao and Fiery Dragon as to the voting rights of 4,990,370 ordinary shares in the Target Company held by Fiery Dragon, respectively. Pursuant to the Voting Proxy Agreements, Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the above 22,546,944 Target Company Shares held by Peerless Hero, Yun Qu and Fiery Dragon (as adjusted to 127,402,643 Successor Company Shares upon Capitalization Issue). Please see the section headed “Relationship with the Controlling Shareholders of the Successor Group” for more details.

Unlisted earn-out warrant is issued to Quwan EOR Limited before the Listing, pursuant to which Quwan EOR Limited will be allotted and issued up to 10% of the Successor Company Shares as at the date of Listing upon exercise of the warrant at the exercise price of US\$0.0001 per Successor Company Share when certain conditions connected with the adjusted net profit and the share price of the Successor Company after the Listing are satisfied. Quwan EOR Limited is wholly owned by Kastle Limited as the trustee of a trust set up by Mr. Song, and the beneficial interest of the trust is held as to 50%, 20%, 15% and 15% by Mr. Song, Mr. Chen Guangyao, Mr. Lyu Shaoyu and Mr. Xie Rui, respectively. Therefore, each of Kastle Limited and Mr. Song is deemed to be interested in the Successor Company Shares interested by Quwan EOR Limited. For details, please refer to “Letter from the Vision Deal Board”.

- (4) Skycus China Fund, L.P., an exempted limited partnership registered under the laws of Cayman Islands, holds 10,394,081 Series A Preferred Shares of the Target Company. Its general partner is Parallel Universes Asset Management Limited and it is ultimately controlled by Eric Li. Therefore, Parallel Universes Asset Management Limited and Eric Li are deemed to be interested in the 50,467,184 Successor Company Shares held by Skycus China Fund, L.P.

Duckling Fund, L.P., an exempted limited partnership registered under the laws of Cayman Islands, holds 9,744,451 Series B Preferred Shares of the Target Company. Its general partner is Grandiflora Hook GP Limited and it is ultimately controlled by Eric Li. Therefore, Grandiflora Hook GP Limited and Eric Li are deemed to be interested in the 55,061,511 Successor Company Shares held by Duckling Fund, L.P.

- (5) Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P., are exempted limited partnerships organized and existing under the laws of the Cayman Islands. Matrix Partners China VI, L.P. holds 11,723,224 Series A Preferred Shares and 2,930,806 Series B Preferred Shares of the Target Company and Matrix Partners China VI-A, L.P. holds 1,269,377 Series A Preferred Shares and 317,344 Series B Preferred Shares of the Target Company. The general partner of both Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P. is Matrix China Management VI, L.P.. The general partner of Matrix China Management VI, L.P. is Matrix China VI GP GP, Ltd. Therefore, Matrix China Management VI, L.P. and Matrix China VI GP GP, Ltd are deemed to be interested in the 84,615,013 Successor Company Shares held by Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P.. David Su, Ho Kee Harry Man and Xiaoning Liu are directors of Matrix China VI GP GP, Ltd. and are deemed to have shared investment voting power over the shares held by Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P.. David Su, Ho Kee Harry Man and Xiaoning Liu are also deemed to have shared investment voting power over the shares held by Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P., which are minority shareholders of the Target Company holding 2,284,369 and 237,566 ordinary Shares, respectively.
- (6) Dream League Limited, a company incorporated in the BVI with limited liability, holds 10,440,854 Series Angel Preferred Shares of the Target Company. Guowen Song, Mr. Song’s brother, holds 51.02% of the shares in Dream League Limited. Therefore, Guowen Song is deemed to be interested in the 49,604,424 Successor Company Shares held by Dream League Limited.
- (7) Peerless Hero, a company incorporated in the BVI with limited liability, holds 10,006,722 ordinary shares of the Target Company. It is wholly owned by Mr. Chen Guangyao. Mr. Song is entitled to exercise the voting right attached to the 10,006,722 Target Company Shares (as adjusted to 56,543,487 Successor Company Shares upon Capitalization Issue) pursuant to the Voting Proxy Agreement. See the section headed “Relationship with the Controlling Shareholders of the Successor Group” for details.

SUBSTANTIAL SHAREHOLDERS FOLLOWING THE DE-SPAC TRANSACTION

Except as disclosed above, the Directors of the Successor Company are not aware of any other person who will, immediately following the Closing (assuming the Presumptions), have any interest and/or short positions in the Successor Company Shares or underlying shares of the Successor Company which would fall to be disclosed to the Successor Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital of the Successor Company carrying rights to vote in all circumstances at general meetings of the Successor Company. The Directors of the Successor Company are not aware of any arrangement which may at a subsequent date result in a change of control of the Successor Company or any other member of the Successor Group.

CONNECTED TRANSACTIONS

OVERVIEW

The Target Company has entered into certain agreements with its connected persons. Following, the transactions contemplated under such agreements will constitute the continuing connected transactions under the Listing Rules.

Details of the continuing connected transactions of the Successor Group following the Listing are set out below.

CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with the Successor Group, will be connected persons of the Successor Group:

Name	Connected Relationship
Mr. Song	Executive Director, chairman of the Board, chief executive officer of the Successor Company and substantial shareholder of the Successor Company and therefore a connected person of the Successor Company under Rule 14A.07(1) of the Listing Rules
Mr. Chen Guangyao	Executive Director and therefore a connected person of the Successor Company under Rule 14A.07(1) of the Listing Rules
Mr. Song Guowen	Mr. Song Guowen is the brother of Mr. Song. Therefore, he is an associate of Mr. Song, an executive Director of the Successor Company, and therefore a connected person of the Successor Company under Rule 14A.07(4) of the Listing Rules
Zhangshu Weiqu Xiamen Quji Wenzhou Huanqu Shanghai Qushen	Mr. Song is the general partner of these Registered Shareholders of Guangzhou Quwan. Therefore, they are associates of Mr. Song, an executive Director, and connected persons of the Successor Company under Rule 14A.07(4) of the Listing Rules

CONNECTED TRANSACTIONS

Name	Connected Relationship
Guangzhou Quyi	Mr. Song Guowen, brother of Mr. Song, is the general partner of this Registered Shareholder. Therefore, it is an associate of Mr. Song, a connected person of the Successor Company, and a connected person under Rule 14A.07(4) of the Listing Rules

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background for the Contractual Arrangements

As disclosed in the section headed “Contractual Arrangements” of this circular, due to regulatory restrictions on foreign ownership in the PRC, the Target Group is prohibited from directly owning any equity interest or restricted from owning more than 50% of equity interest in Guangzhou Quwan. Therefore, in order for the Target Group to effectively control and enjoy the entire economic benefit of Guangzhou Quwan, a series of Contractual Arrangements have been entered into among Guangzhou Yongjie, Guangzhou Quwan, the Registered Shareholders of Guangzhou Quwan and the general partners of the Partnership Shareholders (as the case may be). The Contractual Arrangements enable the Target Group to (i) receive substantially all of the economic benefits from Guangzhou Quwan in consideration for the services provided by Guangzhou Yongjie to Guangzhou Quwan; (ii) exercise effective control over Guangzhou Quwan; and (iii) hold an exclusive option to purchase all or part of the equity interests and assets in Guangzhou Quwan when and to the extent permitted by PRC law.

Principal Terms of the Transactions

The Contractual Arrangements consist of six types of agreements: (a) the Exclusive Technical Service Agreement; (b) Shareholder Voting Rights Proxy Agreement; (c) the Powers of Attorney; (d) the Exclusive Call Option Agreement; (e) the Equity Pledge Agreements; and (f) the Spousal Consent Letter(s). Please see the section headed “Contractual Arrangements of the Target Group” for detailed terms of the Contractual Arrangements.

CONNECTED TRANSACTIONS

Listing Rules implications

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of ‘connected person’, the Consolidated Affiliated Entities will be treated as the Successor Company’s wholly owned subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of the Successor Group as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves). Therefore, the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of the Consolidated Affiliated Entities and any member of the Successor Group (“**Intra-group Transactions**”) constitute continuing connected transactions of the Successor Group under the Listing Rules upon Listing.

The transactions contemplated under the Contractual Arrangements and the Intra-group Transactions will be subject to reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application and the View of the Target Company Directors on the Continuing Connected Transaction

The Target Company Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements, the Intra-group Transactions and the transactions contemplated therein are fundamental to the Target Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of the Target Group, are on normal commercial terms and are fair and reasonable and in the interests of the Target Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and the Intra-group Transactions technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors of the Target Company consider that, given that the Target Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements and the Intra-group Transactions, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Target Company, if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this circular, and potential investors of the Successor Company will participate in the De-SPAC Transaction on the basis of such disclosure, the Successor Company’s Directors consider that compliance with the announcement and the independent shareholders’ approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to the Successor Company.

CONNECTED TRANSACTIONS

APPLICATION FOR AND CONDITIONS FOR WAIVER

In relation to the Contractual Arrangements and the Intra-group Transactions, the Successor Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements and the Intra-group Transactions pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements and the Intra-group Transactions under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements and the Intra-group Transactions to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed 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 (including with respect to any fees payable to Guangzhou Yongjie thereunder) will be made without the approval of the independent non-executive Directors.
- (b) *No change without independent Shareholders’ approval* – Save as described in “(d) Renewal and Reproduction” below, no change to the agreements constituting the Contractual Arrangements will be made without the approval of the Successor Company’s independent Shareholders. Once independent Shareholders’ approval of any change has been obtained, no further announcement, circular 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 the Successor Company (as set out in “Ongoing Reporting and Approvals” below) will however continue to be applicable.
- (c) *Economic benefits flexibility* – The Contractual Arrangements shall continue to enable the Successor Group to receive the entire economic benefits derived by Guangzhou Quwan through (i) the Successor Group’s option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests in Guangzhou Quwan for nominal consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the entire profit generated by Guangzhou Quwan is substantially retained by the Successor Group, such that no annual cap shall be set on the amount of service fees payable to Guangzhou Yongjie by Guangzhou Quwan under the Exclusive Technical Service Agreement, and (iii) the Successor Group’s right to control the management and operation of, in substance, all of the voting rights of Guangzhou Quwan.
- (d) *Renewal and reproduction* – On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Successor Company and its subsidiaries in which the Successor Company has direct shareholding, on the one hand, and Guangzhou Quwan, on the other hand, that framework may be renewed

CONNECTED TRANSACTIONS

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 the Successor Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive 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 the Successor Group which the Successor Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of the Successor Company and transactions between these connected persons and the Successor 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* – The Successor Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the Successor Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- The Successor Company’s independent non-executive Directors will review the Contractual Arrangements annually and confirm in the Successor 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, (ii) no dividends or other distributions have been made by Guangzhou Quwan to the Registered Shareholders of Guangzhou Quwan which are not otherwise subsequently assigned or transferred to the Successor Group, and (iii) any new contracts entered into, renewed or reproduced between the Successor Group and Guangzhou Quwan during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Successor Company Shareholders, so far as the Successor Group is concerned and in the interests of the Successor Company and its Shareholders as a whole.
- The Successor 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 the Successor Company’s Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Successor Company’s Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Guangzhou Quwan to the Registered Shareholders of Guangzhou Quwan which are not otherwise subsequently assigned or transferred to the Successor Group.

CONNECTED TRANSACTIONS

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the Consolidated Affiliated Entities will be treated as the Successor Company’s wholly owned subsidiaries, and at the same time, the directors, chief executive officers or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of the Successor Group (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and the Successor Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Guangzhou Quwan will undertake that, for so long as the Successor Company Shares are listed on the Stock Exchange, Guangzhou Quwan will provide the Successor Group’s management and the Successor Company’s auditors full access to its relevant records for the purpose of the Successor Company’s auditors’ review of the connected transactions.

DIRECTORS’ AND SOLE SPONSOR’S VIEW

The Successor Company’s Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements, Intra-group Transactions and the transactions contemplated therein are fundamental to the Successor Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of the Successor Group, are on normal commercial terms and are fair and reasonable and in the interests of the Successor Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and the Intra-group Transactions technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Successor Company’s Directors consider that, given that the Successor Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements and the Intra-group Transactions, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Successor Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

The Sole Sponsor is of the view that: (i) the continuing connected transactions set out above have been and will be entered into in the Target Company’s ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interest of the Successor Company and its Shareholders as a whole; and (ii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

BOARD OF DIRECTORS

Upon the Closing, the Successor Board will consist of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

The table below sets forth certain information in respect of the members of the Successor Board immediately following the completion of the De-SPAC Transaction:

Name	Age	Position	Date of Joining the Target Group	Date of Appointment as Director of the Target Company	Roles and Responsibilities
Executive Directors					
Mr. Song Ke (宋克)	39	Chairman of the Successor Board, Executive Director and chief executive officer	December 2014	May 2019	Responsible for the overall management, business strategies and sustainable development of the Successor Group
Mr. Chen Guangyao (陳光堯)	42	Executive Director and senior vice president	December 2014	November 2020	Responsible for the overall business operations, commercial suitability and sustainability of products and services of <i>TT Chat App</i> in China
Mr. Lyu Shaoyu (呂紹昱)	41	Executive Director, chief financial officer and joint company secretary	March 2023	September 2023	Responsible for the management of capital operation, finance and legal compliance of the Successor Group
Non-executive Director					
Mr. Wei Zhe (衛哲)	52	Non-executive Director	Completion date of the De-SPAC Transaction	Completion date of the De-SPAC Transaction	Responsible for providing professional, strategic advice, opinion and guidance to the Successor Board
Independent Non-executive Directors					
Mr. Mak Yau Kee Adrian (麥佑基)	63	Independent Non-executive Director	Completion date of the De-SPAC Transaction	Completion date of the De-SPAC Transaction	Responsible for supervising and providing independent judgment to the Successor Board
Ms. Wang Yuxiao (王羽瀾)	41	Independent Non-executive Director	Completion date of the De-SPAC Transaction	Completion date of the De-SPAC Transaction	Responsible for supervising and providing independent judgment to the Successor Board
Mr. He Dongdong (賀東東)	56	Independent Non-executive Director	Completion date of the De-SPAC Transaction	Completion date of the De-SPAC Transaction	Responsible for supervising and providing independent judgment to the Successor Board

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

Executive Directors

Mr. Song Ke (宋克), aged 39, is one of the founders, an executive Director of the Successor Company, the chairman of the Successor Board and the chief executive officer of the Successor Group. Mr. Song has been the chairman of the board and the general manager of Guangzhou Quwan since its incorporation in December 2014. Mr. Song will be primarily responsible for the overall management, business strategies and sustainable development of the Successor Group.

Mr. Song, as an entrepreneur, has over 10 years of experience in the internet and technology industry. Prior to founding the Target Group, Mr. Song founded Guangzhou Yiyou Network Technology Co., Ltd., a game distribution company, and served as the chief executive officer from September 2013 to May 2018.

Mr. Song was honored as one of the “One-Hundred Leading Entrepreneurs” by Bureau of Statistics of Guangdong Province in March 2020. Mr. Song has been serving as the vice president of Guangdong Federation of Internet and Guangdong Game Industry Association since September 2020 and April 2020, respectively.

Mr. Chen Guangyao (陳光堯), aged 42, is an executive Director and the senior vice president of the Successor Company. Mr. Chen co-founded the Target Group with Mr. Song Ke in December 2014 and has served as the senior vice president of Guangzhou Quwan since then and a supervisor of Guangzhou Quwan since June 2018. Mr. Chen will be primarily responsible for the overall business operations, commercial suitability and sustainability of products and services of *TT Chat* App in China.

Mr. Chen has over 19 years’ experience in the software and internet technology industry. He joined Tencent (HKEX:0700) in July 2003 as a technical manager and worked as a senior technical manager in Weixin group from July 2008 until July 2012. Prior to co-founding the Target Group, he served as the technical director of JOYY Inc. (Nasdaq: YY), a global video-based social media company, from August 2012 to June 2014. Mr. Chen was honored “Man of Influence During 10 Years in the Software Industry” by the Guangzhou Software Industry Association.

Mr. Chen received his bachelor’s degree in computer science and technology from South China University of Technology in the PRC in July 2003.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

Mr. Lyu Shaoyu (呂紹昱), aged 41, is an executive Director and the chief financial officer of the Successor Company. Mr. Lyu was appointed as the chief financial officer in March 2023. Mr. Lyu will be primarily responsible for the management of capital operation, finance and legal compliance of the Successor Group.

Mr. Lyu has accumulated extensive working experience in investment banking practice, including initial public offering and merger transactions, through his working experience. Prior to joining the Target Company, Mr. Lyu worked in Orient Securities Investment Banking Co., Ltd. from July 2019 to February 2023, with his last title as managing director. Before that, he worked in GF Securities Co., Ltd. from July 2011 to July 2019, with his last title as director of the TMT industry investment banking division. Mr. Lyu joined the Guangzhou branch of Deloitte Touche Tohmatsu Certified Public Accountants LLP in August 2007 at the tax and business consultation department, with his title being senior consultant when he left in June 2011.

Mr. Lyu is a China Certified Tax Agent (CTA) and is a fellow member of The Association of Chartered Certified Accountants (ACCA) and The China Institute of Certified Public Accountants.

Mr. Lyu obtained a bachelor’ degree in finance and a master’ degree in finance from Zhongnan University of Economics and Law in the PRC in June 2005 and June 2007, respectively.

Non-executive Director

Mr. Wei Zhe (衛哲), aged 52, is proposed to be appointed as a non-executive Director of the Successor Company immediately following the completion of the De-SPAC Transaction. Mr. Wei has been re-designated the chairman of the board and an executive director of Vision Deal (HKEX: 7827) since February 14, 2022.

Mr. Wei has around 20 years of experience in investment and advisory consulting, including ten years of experience as a chief executive officer for multinational corporations followed by ten years of experience in private equity investment in China. He is the founding partner and chairman of Vision Knight Capital, a private equity fund manager focusing on investments in new channel, B2B platform/services/products empowered by internet sectors, new consumer and new technology in China, and has assets under management equivalent to US\$2.2 billion as of December 31, 2021 through managing two U.S. Dollar funds and five RMB funds. Vision Knight Capital has managed assets with an average collective value of at least HK\$8 billion over a continuous period of at least the last three financial years. It has a wide geographical spread of investors, comprising reputable institutional investors and well-known entrepreneurs and their families across the globe. As chairman and founding partner of Vision Knight Capital, Mr. Wei oversees its investment strategy in relation to funds provided by third party investors. Under his leadership, Vision Knight Capital has undertaken more than 80 investments with a number of successful IPO and M&A exits. Prior to founding Vision Knight Capital in June 2011, Mr. Wei joined Alibaba Group in November 2006 as

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

executive vice-president and served as the chief executive officer of Alibaba.com Limited (previously listed on the Stock Exchange (HKEX: 01688) and privatized in June 2012), a multinational technology company operating a leading e-commerce platform, until February 2011. Prior to Alibaba.com Limited, Mr. Wei took various leadership roles in B&Q China Co., Ltd., the subsidiary of Kingfisher plc (LON: KGF), a leading home improvement retailer in Europe and Asia, including serving as president and chief executive officer from June 2002 to November 2006, and chief financial officer from July 2000 to July 2001. He served as chief executive officer at B&Q (China) Property Development Co., Ltd. from August 2001 to May 2002. Prior to that, Mr. Wei served as general manager of investment banking division and the head of investment banking at Orient Securities Company Limited (HKEX: 3958) from 1998 to 2000, and as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998.

In addition, Mr. Wei has served as a director in a number of private companies and publicly-listed companies on the Stock Exchange, New York Stock Exchange and Shanghai Stock Exchange, many of which conduct businesses in the consumption and internet sectors:–

- non-executive director of Informa PLC (LON: INF) from June 2018 to May 2019;
- non-executive director of JNBY Design Limited (HKEX: 3306) since June 2013;
- non-executive director of PCCW Limited (HKEX: 0008) since May 2012, and independent non-executive director from November 2011 to March 2012;
- independent director of Polestar Automotive Holding Uk Plc (NASDAQ: PSNY) since June 2022;
- non-executive director of HSBC Bank (China) Company Limited from April 2007 to February 2011;
- non-executive director of UBM plc from November 2016 to June 2018;
- independent director of 500.com Limited (NYSE: WBAI) from October 2013 to November 2015;
- non-executive director of Zhong Ao Home Group Limited (HKEX: 1538) from April 2015 to June 2020;
- independent director of Leju Holdings Limited (NYSE: LEJU) from April 2014 and March 2021;
- independent director of Shanghai M&G Stationery Inc. (SSE: 603899) from June 2014 to June 2017; and

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

- independent non-executive director of Zall Smart Commerce Group Limited (HKEX: 2098) from April 2016 to June 2017, and executive director and chief strategy officer since June 2017.

Mr. Wei was voted as one of “China’s Best CEOs” by FinanceAsia magazine in 2010. He has accumulated experience and familiarity with companies innovating in China’s consumption and internet sectors, which compose the majority of the investment portfolio of Vision Knight Capital.

Mr. Wei obtained his bachelor’s degree in international business management from Shanghai International Studies University in the PRC in June 1993.

Independent Non-executive Directors

Mr. MAK Yau Kee Adrian (麥佑基), aged 63, is proposed to be appointed as an independent non-executive Director of the Successor Company immediately following the completion of the De-SPAC Transaction. Mr. Mak will be primarily responsible for supervising and providing independent judgment to the Successor Board.

Mr. Mak is an independent director of Tencent Music Entertainment Group (NYSE: TME; HKEX: 1698), a company listed on the New York Stock Exchange and the Stock Exchange of Hong Kong, and is the Chairman of its audit committee. He previously was the chief financial officer and the company secretary of Television Broadcasts Limited (HKEX: 00511) from 2004 until his retirement in December 2021. Prior to that, Mr. Mak was CFO of Global Digital Creations Holdings Limited (HKEX: 08271), a company listed on the GEM of the Stock Exchange of Hong Kong, between 2002 and 2004, and CFO of CyberCity Holdings Limited between 2000 and 2002. Between 1992 and 2000, Mr. Mak served as an associate director in the Corporate Finance Division at the Securities and Futures Commission. Between 1983 and 1992, Mr. Mak served as a deputy manager of audit at various offices of KPMG (Hong Kong, London and Birmingham).

Mr. Mak is a fellow member of the Institute of Chartered Accountants in England and Wales (FCA) and the Hong Kong Institute of Certified Public Accountants (FCPA).

Mr. Mak obtained a bachelor’s degree in chemical engineering from the University of Birmingham in the United Kingdom in July 1983.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

Ms. Wang Yuxiao (王羽瀟), aged 41, is proposed to be appointed as an independent non-executive Director of the Successor Company immediately following the completion of the De-SPAC Transaction. Ms. Wang will be primarily responsible for supervising and providing independent judgment to the Successor Board.

Ms. Wang was appointed as the director of Beijing Chunyu Tianxia Software Co., Ltd. (“**Chunyu Software**”) in 2017. Ms. Wang has been serving as the chief executive officer of Chunyu Software since August 2019 and is responsible for its overall management. Prior to working at Chunyu Software, Ms. Wang worked at China Academy of Space Technology from July 2006 to April 2011 in the corporate culture division, first as head of branding and then as deputy commissioner.

Ms. Wang successively obtained a bachelor’s degree of arts in journalism of broadcast and television and a master’s degree of arts in communication studies from Renmin University of China in the PRC, in July 2004 and July 2006, respectively. She also obtained a master of arts in art business from Sotheby’s Institute of Art in March 2019.

Mr. He Dongdong (賀東東), aged 56, is proposed to be appointed as an independent non-executive Director of the Successor Company immediately following the completion of the De-SPAC Transaction. Mr. He will be primarily responsible for supervising and providing independent judgment to the Successor Board.

Mr. He is a co-founder of Rootcloud Technology Co., Ltd. (樹根互聯股份有限公司) and has been serving as the chief executive officer since June 2016. Before starting up his own company, Mr. He has been serving as a senior management in Sany Group Co., Ltd. (三一重工股份有限公司) (Shanghai stock exchange: 600031) for more than 14 years. He experienced different leadership position including vice president, group senior vice president and chief information officer between March 2003 and November 2017. Mr. He has been serving as the vice president of Alliance of Industrial Internet (工業互聯網產業聯盟) since February 2016, and has been a member of ChinaInfo100 (中國信息化百人會) since July 2020.

Mr. He obtained a bachelor’s degree in engineering from Shanghai Jiao Tong University in the PRC, in July 1989 and a master’s degree in business administration from China Europe International Business School in the PRC, in September 2003.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

SENIOR MANAGEMENT

The senior management team of the Successor Group comprises, in addition to the executive Directors, the following persons listed below:

Name	Age	Position/Title	Date of Joining the Target Group	Roles and Responsibilities
Mr. Song Ke (宋克)	39	Executive Director and chairman of the Successor Board, chief executive officer	December 2014	Responsible for the overall management, business strategies and sustainable development of the Successor Group
Mr. Chen Guangyao (陳光堯)	42	Executive Director and senior vice president	December 2014	Responsible for the overall business operations, commercial suitability and sustainability of products and services of <i>TT Chat</i> App in China
Mr. Lyu Shaoyu (呂紹昱)	41	Executive Director, Chief Financial Officer, Joint Company Secretary	March 2023	Responsible for the management of capital operation, finance and legal compliance of the Successor Group
Mr. Xie Rui (謝睿)	45	Chief Technology Officer	February 2016	Responsible for the technology development and engineering of the Successor Group in the PRC and international market

Mr. Song Ke (宋克), aged 39, is the chief executive officer of the Successor Group. For details of his biography, see “– Board of Directors.”

Mr. Chen Guangyao (陳光堯), aged 42, is the senior vice president of the Successor Group. For details of his biography, see “– Board of Directors.”

Mr. Lyu Shaoyu (呂紹昱), aged 41, is the chief financial officer and the joint company secretary of the Successor Group. For details of his biography, see “– Board of Directors.”

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

Mr. Xie Rui (謝睿), aged 45, is the chief technology officer of the Successor Group. Mr. Xie was appointed as the Target Company’s chief technology officer in October 2021. Mr. Xie joined the Target Group in February 2016 as the research and development director of Guangzhou Quwan and served as the vice president and chief technology officer of Guangzhou Quwan since May 2020. He will be primarily responsible for the technology development and engineering of the Successor Group in the PRC and international market of the Successor Company.

Prior to joining the Target Company, Mr. Xie served as the technical director of JOYY Inc. (Nasdaq: YY), a global video-based social media company, from May 2010 to January 2016. He also co-founded Guangzhou Bading Network Technology Co., Ltd. in November 2007 as the chief technology officer until May 2010 when his company was acquired by JOYY Inc.

Mr. Xie received his bachelor’s degree in computer software from Sun Yat-sen University in the PRC, in June 2001.

Directors’ and Senior Management’s Interests and information pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above in this section, none of the Directors or senior management of the Successor Company has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this circular.

Mr. Wei Zhe (“**Mr. Wei**”) previously served as an independent non-executive director of Zall Smart Commerce Group Limited (HKEX: 2098) from April 2016 to June 2017, and as its executive director and chief strategy officer since June 2017. In July 2018, the Stock Exchange issued a censure announcement (the “**Censure Announcement**”) in respect of Zall Smart’s failure to disclose a share charge executed by its controlling shareholder in favor of the Industrial Bank of Hong Kong Branch (the “**Share Charge**”) in June 2016 and the directors of Zall Smart (including Mr. Wei) were criticized by the Stock Exchange. Under Rules 13.17 and 13.21 of the Listing Rules, the Share Charge should have been disclosed as soon as reasonably practicable after it was executed or in Zall Smart’s interim report for the six months ended June 30, 2016. Although the directors had knowledge of the Share Charge, they were not aware of the need to disclose it. The directors had delegated to the chief financial officer the responsibility of supervising Zall Smart’s compliance with the Listing Rules and finalizing the interim report. The chief financial officer, who was advised by professional advisors that it was mandatory to disclose the Share Charge in the interim report, did not share the information with the directors or inform them that disclosure was mandatory (the “**Share Charge Incident**”). Mr. Wei was not directly responsible for the Share Charge Incident, because (i) neither the Share Charge Incident nor the Censure Announcement was due to personal wrongdoing, misconduct or dishonest behavior on the part of Mr. Wei that would reflect negatively on his character and integrity, (ii) Mr. Wei was not personally subjected to any civil actions or administrative or criminal punishments as a result of the Share Charge Incident, (iii) at the time

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

of the Share Charge Incident, Mr. Wei had been appointed to the board for a short period as an independent non-executive director, and was not charged with the day to day management of Zall Smart and (iv) no governmental or regulatory authority, including the Stock Exchange, subsequently challenged Mr. Wei’s suitability to act as director in Zall Smart and other companies. Subsequent to the Censure Announcement, Mr. Wei continued to serve on the boards of several companies listed on the Stock Exchange, New York Stock Exchange and Shanghai Stock Exchange. Subsequent to the Share Charge Incident, Mr. Wei did not receive any other censures and received further trainings from Zall Smart to familiarize himself with directors’ obligations under the Listing Rules. The Successor Company believe that his experiences from the Share Charge Incident and the Censure Announcement, together with his directorships in publicly listed companies, have allowed Mr. Wei to develop his familiarity with fiduciary duties and the duties of skill, care and diligence required of directors. Based on the foregoing, the Directors of the Successor Company are of the view that the Share Charge Incident did not adversely affect Mr. Wei’s suitability to act as the non-executive Director, within the meaning of Rules 3.08 and 3.09 of the Listing Rules.

Save as disclosed above in this section, to the best of the knowledge, information and belief of the Directors of the Successor Company having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Successor Company Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

Save for the interests in the Shares of the Successor Company held by Mr. Song, Mr. Chen Guangyao, Mr. Lyu Shaoyu and Mr. Wei Zhe which are disclosed in the section headed “Appendix VII – Statutory and General Information – D. Further Information about the Directors and Substantial Shareholders of the Successor Company – 1. Disclosure of Interests”, none of the Directors held any interest in the securities within the meaning of Part XV of the SFO.

Save as disclosed above in this section, as of the Latest Practicable Date, none of the Directors or senior management is related to other Directors or senior management of the Successor Company.

JOINT COMPANY SECRETARIES

Mr. Lyu Shaoyu (呂紹昱), aged 41, is also the joint company secretary of the Successor Company. For details of his biography, see “– Board of Directors.”

Ms. Ng Wai Kam (伍偉琴) is one of the Successor Company’s joint company secretaries. Ms. Ng is currently a senior manager of Corporate Services of Tricor Services Limited, where she is responsible for providing corporate secretarial and compliance services to listed issuers at the Stock Exchange and other multinational, private and offshore companies. Ms. Ng has more than 10 years of experience in the company secretary profession. Ms. Ng is currently the company secretary/joint company secretaries of listed companies on the Stock Exchange,

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

namely, Hebei Yichen Industrial Group Corporation Limited (stock code: 1596), Genertec Universal Medical Group Company Limited (stock code: 2666), Mega Genomics Limited (stock code: 6667) and Onewo Inc. (stock code: 2602).

Ms. Ng is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Ng obtained her bachelor’s degree in Business Administration from Hong Kong Shue Yan University in July 2011.

The Successor Company [has] been granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Lyu may be appointed as a joint company secretary of the Successor Company. However, the waiver can be revoked if there are material breaches of the Listing Rules by the Successor Company. For details, please see the section headed “Waivers and Exemptions”.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Upon the completion of the De-SPAC Transaction, the Directors of the Successor Company will receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind and contribution to the pension scheme. The Successor Company will determine the compensation of the Directors based on each Director’s responsibilities, qualification, position and seniority. Each of the non-executive Director and the independent non-executive Directors [has] signed an appointment letter with us for a term of three years effective upon the Listing Date. For more information on the appointment letters, please refer to the section headed “Appendix VII – Statutory and General Information – D. Further Information about the Directors and Substantial Shareholders of the Successor Company – 2. Particulars of Service Contracts”.

The aggregate amount of remuneration of the Directors of the Target Company (including salaries, allowances, benefits in kind, contribution to the pension scheme and other share-based compensation) for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were approximately RMB99.9 million, RMB153.5 million, RMB50.5 million and RMB2.3 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any discretionary bonus which may be paid to any Directors) equivalent to approximately RMB4.93 million in aggregate will be paid and granted to the Directors by the Target Company in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this circular.

The aggregate amount of remuneration of the remaining five highest paid individuals of the Target Group (excluding three Directors for the years ended December 31, 2020 and 2021, and two Directors for the year ended December 31, 2022 and nil Director for the six months ended June 30, 2023) for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were approximately RMB2.1 million, RMB28.5 million, RMB21.5 million and RMB42.2 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

During the Track Record Period, no remuneration was paid to the Directors by the Target Group or the five highest paid individuals as an inducement to join, or upon joining, the Target Group. No compensation was paid to, or receivable by, the Directors, past Directors or the five highest paid individuals of the Target Group for the Track Record Period for the loss of office in connection with the management of the affairs of any member of the Target Group. None of the Directors of the Target Group waived any emoluments during the same period.

For additional information on Directors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 9 of the Accountant’s Report set out in Appendix I to this circular. For the details of the stock options that the Target Company granted to the Directors and senior management of the Target Group, please see the section headed “Appendix VII – Statutory and General Information – E. Employee Incentive Plans”.

Save as disclosed above in this section and the sections headed “Financial Information”, “Appendix I – Accountant’s Report” and “Appendix VII – Statutory and General Information”, no other payments have been paid or are payable in respect of the Track Record Period to the Directors by the Target Group.

EMPLOYEE INCENTIVE PLANS

The Target Company adopted the 2020 Global Employee Incentive Plan on December 31, 2020 and the Post-Listing Share Incentive Plan on [●]. For further details, please see the section headed “Appendix VII – Statutory and General Information – E. Employee Incentive Plans”.

CORPORATE GOVERNANCE

The Successor Company [has] established the following committees in the Successor Board: an Audit Committee, a Remuneration Committee, a Nomination Committee and an ESG Committee. The committees operate in accordance with terms of reference established by the Successor Board.

Audit Committee

The Successor Company [has] established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors of the Successor Company, namely, Mr. Mak Yau Kee Adrian, Ms. Wang Yuxiao, and Mr. He Dongdong. Mr. Mak Yau Kee Adrian is the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Successor Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Successor Group, overseeing the audit process and performing other duties and responsibilities assigned by the Successor Board.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

Remuneration Committee

The Successor Company [has] established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of two independent non-executive Directors of the Successor Company, namely, Ms. Wang Yuxiao and Mr. He Dongdong, and one executive Director of the Successor Company, namely, Mr. Song. Mr. He Dongdong is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, without limitation, making recommendations to the Successor Board on the Successor Company’s policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration, determining the specific remuneration packages of all Directors and senior management and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Successor Board of Directors from time to time.

Nomination Committee

The Successor [has] established a nomination committee 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 the Successor Board regarding the appointment of Directors and the Successor Board succession. The Nomination Committee comprises one executive Director, namely Mr. Song, and two independent non-executive Directors, namely Ms. Wang Yuxiao and Mr. Mak Yau Kee Adrian. Mr. Song is the chairman of the committee.

ESG Committee

The Successor Company [has] established an ESG Committee. The primary duties of the ESG Committee are to formulate and review the Successor Company’s ESG responsibilities, vision, strategy, framework, principles, policies, risk and to monitor the implementation of the ESG policies adopted by the Successor Board to oversee and guide the Successor Company’s ESG initiatives and to make recommendations to the Successor Board. The ESG Committee shall submit and report on review of ESG strategies and policies to the Successor Board at least annually. To manage the impact of material ESG risks, the Successor Board will work closely with the ESG Committee to conduct materiality assessment of ESG-related risks to identify and prioritize material ESG issues, and provide a guide or blueprint for the Group’s ESG strategy. In particular, the Board, with the assistance of ESG Committee, shall identify a list of wide-scoped ESG topics with reference to national and industry laws and regulations, peers’ best practice, concerns focus of investors and press on enterprises and the relevant standards and frameworks. The Successor Board shall narrow down the scope to material ESG topics after taking into consideration the Successor Group’s ESG strategic priorities and understanding key expectations from stakeholders through communication via interviews and survey. It will assess the impact of the material ESG topics, prioritize them through materiality mapping and finalize the materiality matrix. The Successor Board will also work with the external ESG consultant to identify any risks and prepare the ESG report in accordance with Appendix 27 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

The ESG Committee comprises two executive Directors of the Successor Company, namely Mr. Song and Mr. Lyu Shaoyu and one independent non-executive Director of the Successor Company, namely Ms. Wang Yuxiao. Mr. Song is the chairman of the ESG Committee. The members of the ESG Committee have ample experience and requisite expertise in overseeing ESG related matters. Mr. Song has been overseeing ESG matters of the Target Group since its establishment. In particular, he devises Target Group’s ESG strategy and closely monitors effectiveness of such strategy. He also oversees and reviews the Target Group’s progress of achieving the ESG objectives including energy saving target and sufficient staff training. Mr. Lyu Shaoyu has accumulated extensive experience in corporate management and governance through his involvement in initial public offering and merger transactions when he took various positions in investment banking practice since 2011. Ms. Wang Yuxiao has been the director of Chunyu Software in 2017 and the chief executive officer of same company in 2019. Ms. Wang has been leading Chunyu Software to be committed on social responsibility and community service. In particular, when there was outbreak of COVID-19 in early 2020, Ms. Wang arranged medical specialists to provide volunteer virtual medical consultation. Ms. Wang also took into account the communities’ interest in operating the business of Chunyu Software and arranged charity events from time to time. Through devising and monitoring the aforementioned ESG policy or objectives by virtue of her position as a director and chief executive officer of Chunyu Software, Ms. Wang has gained solid experience in ESG matter. For details of biography of the ESG Committee members of the Successor Company, see “– Board of Directors” and “– Senior Management”.

Corporate Governance Code

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Successor Company will not have separate Chairman of the Successor Board and chief executive officer and Mr. Song, the Chairman of the Successor Board and chief executive officer of the Successor Company, will perform these two roles upon the completion of the De-SPAC Transaction. The Successor Board believes that, in view of his experience, personal profile and his roles in the Successor Company as mentioned above, Mr. Song Ke is the Director best suited to identify strategic opportunities and focus of the Successor Board due to his extensive understanding of the business as the chief executive officer of the Successor Company. The Successor Board also believes that the combined role of Chairman of the Successor Board and chief executive officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Successor Board. The Successor Board will continue to review and consider splitting the roles of Chairman of the Successor Board and the chief executive officer at a time when it is appropriate by taking into account the circumstances of the Successor Group as a whole. The Successor Group aims to implement a high standard of corporate governance, which is crucial to safeguard the interests of the Successor Company Shareholders. To accomplish this, the Successor Company expects to comply with the Corporate Governance Code after the completion of the De-SPAC Transaction save for the matter disclosed above.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

Board Diversity Policy

The Successor Company will be committed to promote diversity to the extent practicable by taking into consideration a number of factors in respect of its corporate governance structure.

The Successor Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Successor Board in order to enhance the effectiveness of the Successor Board. Pursuant to the board diversity policy, the Successor Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, language, cultural background, educational background, industry experience and professional experience. The Directors of the Successor Company have a balanced mix of knowledge and skills, including knowledge and experience in the areas of software and internet technology, business management, finance, investment and accounting, etc. They obtained degrees in various areas including computer science and technology, information management, economics, engineering, and business administration. Furthermore, the Successor Board has a relatively wide range of ages, ranging from 39 years old to 63 years old. The Successor Board of Directors is of the view that the Successor Board satisfies the Board Diversity Policy. The Successor Company is also committed to adopting a similar approach to promote diversity within the management (including but not limited to the senior management) of the Successor Company to enhance the effectiveness of corporate governance of the Successor Company as a whole.

The Nomination Committee is delegated by the Successor Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Subsequent to the Closing, the Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and the Successor Company will disclose in its corporate governance report about the implementation of the board diversity policy on an annual basis.

Compliance Adviser

The Successor Company has have appointed Rainbow Capital (HK) Limited as its Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide the Successor Company with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise the Successor Company in certain circumstances including: (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 repurchases; (c) where the Successor Company proposes to use the proceeds of the De-SPAC Transaction in a manner different from that detailed in this circular or where the business activities, development or results of the Successor Group deviate from any forecast, estimate or other information in this circular; and (d) where the Stock Exchange makes an inquiry to the Successor Company under Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT OF THE SUCCESSOR COMPANY

The term of appointment of the Compliance Adviser shall commence upon the completion date of the De-SPAC Transaction and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of the financial results of the Successor Company for the first full financial year commencing after the completion date of the De-SPAC Transaction.

COMPETITION

Each of the Directors of the Successor Company confirms that as of the Latest Practicable Date, he did not have any interest in a business which competes or is likely to compete, directly or indirectly, with the business of the Successor Company and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time, the non-executive Directors of the Successor Company may serve on the boards of both private and public companies within the gaming industry. However, as these non-executive Directors are neither the Controlling Shareholders nor members of the executive management team of the Successor Company, the Successor Company does not believe that their interests in such companies as directors would render the Successor Group incapable of carrying on the business independently from the other companies in which these non-executive Directors may hold directorships from time to time.

FUTURE PLANS AND USE OF PROCEEDS

Unless the context otherwise requires, all references in this section to “we,” “us” or “our” refer to Quwan Holding Limited (趣丸集团) (the “Target Company”), its subsidiaries, and Consolidated Affiliated Entities (together, the “Target Group”).

FUTURE PLANS

See “Business of the Target Group – Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

After deducting commissions and expenses payable by Vision Deal and the Target Company in connection with the De-SPAC Transaction, and assuming 100% of Vision Deal Class A Shareholders exercise redemption rights with respect to their Vision Deal Class A Shares, the net proceeds which the Successor Company will receive from the De-SPAC Transaction are estimated to be approximately HK\$[146.7] million.

We intend to use the net proceeds for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [25]%, or HK\$[36.7] million, will be used to drive sustainable and high-quality user base expansion for our *TT Chat* platform in the next three years, in which:
 - approximately [15]%, or HK\$[22.0] million, will be used to implement our marketing plans through online and offline channels and diversified promotional activities, including:
 - approximately [8]%, or HK\$[11.7] million, for digital advertisements on popular mobile apps and platforms in China, and
 - approximately [7]%, or HK\$[10.3] million, for co-branding marketing campaigns with game developers and entertainment companies, as well as offline promotional events participated by users and hosts; and
 - approximately [10]%, or HK\$[14.7] million, will be used to invest in a variety of sponsorship of professional Esports leagues and tournaments in China, in collaboration with other Esports and gaming companies, in order to promote our brand recognition, expand our user base and enhance user engagement.
- approximately [20]%, or HK\$[29.3] million, will be used to further engage user community with diversified offerings in the next three years, in which:
 - approximately [15]%, or HK\$[22.0] million, will be used to continue to diversify the features and functions on our *TT Chat* platform to optimize the game co-experiences. Such functions include, for example, chatting and in-game communication tools to further facilitate user interactions on our *TT*

FUTURE PLANS AND USE OF PROCEEDS

Chat platform. As of the Latest Practicable Date, we had a number of new tools and features in our development and launch pipelines, such as new categories of virtual items and privileges offered to our users and hosts; and

- o approximately [5]%, or HK\$[7.3] million, will be used to enrich other non-game topic categories such as music, movies, anime and lifestyle topics in order to meet the varying needs of different user groups such as female and Generation Z users. Such efforts include, for example, identifying unmet user interests and demand in new audio entertainment features, including those that allow users to explore shared interests in music and movie in more immersive settings.
- approximately [45]%, or HK\$[66.0] million, will be used to enhance our technology capabilities to improve the overall user experience and strengthen our monetization ability in the next three years, including:
 - o approximately [20]%, or HK\$[29.3] million, will be used to continue to establish and upgrade our technology and middle platform, as well as our centralized management tools, to support our sustainable innovation and growing ecosystem in the long run:
 - In connection with such efforts, we mainly plan to use approximately [10]%, or HK\$[14.7] million, to recruit and expand our middle platform engineering and operational team by [approximately 35% to approximately 800] headcounts in the next three years, subject to talent supply and market conditions;
 - o approximately [15]%, or HK\$[22.0] million, will be used to continue to advance our proprietary user matching and content recommendation algorithms by investing in big data analytics and machine learning technologies in the next three years. We believe such investment will continue to enable us to leverage the increasing volume of relevant data generated on our *TT Chat* platform to obtain deeper insights into user preferences and improve the performance of our matching and recommendation functions:
 - In connection with such efforts, we mainly plan to use approximately [5]%, or HK\$[7.3] million, to recruit and expand our research and development team in particular talents with experiences in algorithm and data analytics by [approximately 50 to 100] headcounts in the next three years, subject to talent supply and market conditions. In addition, we plan to further enhance our data privacy and cybersecurity infrastructure by purchasing advanced technological services and products and increase our headcount in such functions; and

FUTURE PLANS AND USE OF PROCEEDS

- o approximately [10]%, or HK\$[14.7] million, will be used to continue to upgrade our audio technology infrastructure to enable high-quality connections with high-transmission stability and low latency under different network and bandwidth environments.
- approximately [10]%, or HK\$[14.7] million, will be used for general corporate purposes, including working capital needs over the next three years.

For risks relating to the aforesaid business expansion plans, see “Risk Factors – Risks Related to the Target Group’s Business and Industry – If we fail to effectively manage our growth and control our costs and expenses, our business and operating results could be harmed” and “Risk Factors – Risks Related to the Target Group’s Business and Industry – We have limited experience in international markets. If we fail to meet the challenges presented by our expansion overseas, our business, financial condition and results of operations may be materially and adversely affected.”

If the net proceeds of the De-SPAC Transaction are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, the Successor Company will deposit the net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance) only, as long as it is deemed to be in the best interests of the Successor Group. In such event, the Successor Company will comply with the appropriate disclosure requirements under the Listing Rules.

To the extent that the net proceeds are not sufficient to fund the above purposes, we intend to fund the balance through a variety of means, including, without limitation, cash generated from our operations, bank loans and other financings as appropriate.

APPENDIX I

ACCOUNTANT’S REPORT OF THE TARGET GROUP

The following is the text of a report set out on pages I-[1] to I-[3], received from the Target Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular. It is prepared and addressed to the directors of the Target Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

DRAFT

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF QUWAN HOLDING LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Quwan Holding Limited (the “Target Company”) and its subsidiaries (together, the “Target Group”) set out on pages I-[4] to I-[142], which comprises the consolidated balance sheets of the Target Group as at December 31, 2020, 2021 and 2022 and June 30, 2023, the Target Company balance sheets as at December 31, 2020, 2021 and 2022 and June 30, 2023, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-[142] forms an integral part of this report, which has been prepared for inclusion in the circular of Vision Deal HK Acquisition Corp. (the “Company”) dated [●] (the “Circular”) in connection with the De-SPAC Transaction (as defined in the Circular).

Directors’ responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s 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

APPENDIX I

ACCOUNTANT’S REPORT OF THE TARGET GROUP

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 accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information 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 of the Target Company, 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 accountant’s report, a true and fair view of the financial position of the Target Company as at December 31, 2020, 2021 and 2022 and June 30, 2023 and the consolidated financial position of the Target Group as at December 31, 2020, 2021 and 2022 and June 30, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2022 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Target Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). 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 International 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 Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

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ACCOUNTANT’S REPORT OF THE TARGET GROUP

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 26 to the Historical Financial Information which contains information about the dividends paid by Quwan Holding Limited in respect of the Track Record Period.

No statutory financial statements for the Target Company

No statutory financial statements have been prepared for the Target Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[●]

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Target Group for Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“IAASB”) (“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.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	Notes	Year ended December 31,			Six months ended June 30,	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 <i>(Unaudited)</i>	2023 RMB'000
Revenues	6	1,493,420	2,630,592	3,401,990	1,659,489	1,627,468
Cost of revenues	8	<u>(522,201)</u>	<u>(1,124,798)</u>	<u>(1,559,517)</u>	<u>(761,899)</u>	<u>(734,280)</u>
Gross profit		971,219	1,505,794	1,842,473	897,590	893,188
Selling and marketing expenses	8	(600,361)	(1,022,880)	(547,847)	(310,756)	(232,680)
Administrative expenses	8	(215,845)	(426,737)	(189,634)	(92,263)	(116,739)
Research and development expenses	8	(143,403)	(298,505)	(508,986)	(217,210)	(258,295)
(Net impairment losses)/reversal of impairment losses on financial assets	8	(6,587)	(5,284)	5,114	7,684	(4,653)
Other gains, net	7	<u>13,099</u>	<u>34,225</u>	<u>46,958</u>	<u>11,102</u>	<u>63,097</u>
Operating profit/(loss)		18,122	(213,387)	648,078	296,147	343,918
Finance income	10	8,520	6,917	15,984	4,381	17,535
Finance costs	10	<u>(4,217)</u>	<u>(5,218)</u>	<u>(5,434)</u>	<u>(2,859)</u>	<u>(2,395)</u>
Finance income, net		4,303	1,699	10,550	1,522	15,140
Share of net losses of associates accounted for using equity method	11	(831)	(7,464)	(3,887)	(2,008)	(2,752)
Fair value changes on convertible redeemable preferred shares	33	(53,075)	(1,326,311)	(64,129)	(6,369)	(71,289)
Fair value changes on convertible preferred shares	34	<u>(109,649)</u>	<u>(939,441)</u>	<u>(12,664)</u>	<u>40,087</u>	<u>(83,424)</u>
(Loss)/profit before income tax		(141,130)	(2,484,904)	577,948	329,379	201,593
Income tax expenses	12	<u>(12,879)</u>	<u>(10,641)</u>	<u>(68,695)</u>	<u>(39,936)</u>	<u>(20,997)</u>
(Loss)/profit for the year/period		<u>(154,009)</u>	<u>(2,495,545)</u>	<u>509,253</u>	<u>289,443</u>	<u>180,596</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED INCOME STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	<i>Notes</i>	Year ended December 31,			Six months ended June 30,	
		2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
(Loss)/profit for the year/period attributable to:						
- Owners of the Target Company		(152,247)	(2,492,162)	511,906	291,068	181,135
- Non-controlling interests	25	(1,762)	(3,383)	(2,653)	(1,625)	(539)
		<u>(154,009)</u>	<u>(2,495,545)</u>	<u>509,253</u>	<u>289,443</u>	<u>180,596</u>
(Loss)/earnings per share for the (loss)/profit attributable to the owners of the Target Company						
Basic (RMB Yuan)	13	<u>(2.00)</u>	<u>(36.21)</u>	<u>7.15</u>	<u>4.12</u>	<u>2.50</u>
Diluted (RMB Yuan)		<u>(2.00)</u>	<u>(36.21)</u>	<u>3.78</u>	<u>1.57</u>	<u>1.91</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Loss)/profit for the year/period	(154,009)	(2,495,545)	509,253	289,443	180,596
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences ^(Note 1)	111	4,488	(45,749)	(27,554)	(20,854)
<i>Items that will not be reclassified to profit or loss</i>					
Fair value change on convertible redeemable preferred shares due to own credit risk	3,649	(4,598)	10,239	7,856	(24,526)
Currency translation differences ^(Note 2)	8,603	39,264	(260,255)	(144,261)	(138,197)
Other comprehensive income/(loss) for the year/period, net of taxes	<u>12,363</u>	<u>39,154</u>	<u>(295,765)</u>	<u>(163,959)</u>	<u>(183,577)</u>
Total other comprehensive income/(loss) for the year/period attributable to:					
– Owner of the Target Company	12,363	38,930	(295,107)	(163,419)	(184,998)
– Non-controlling interests	–	224	(658)	(540)	1,421
	<u>12,363</u>	<u>39,154</u>	<u>(295,765)</u>	<u>(163,959)</u>	<u>(183,577)</u>
Total comprehensive (loss)/income for the year/period attributable to:					
– Owners of the Target Company	(139,884)	(2,453,232)	216,799	127,649	(3,863)
– Non-controlling interests	(1,762)	(3,159)	(3,311)	(2,165)	882
	<u>(141,646)</u>	<u>(2,456,391)</u>	<u>213,488</u>	<u>125,484</u>	<u>(2,981)</u>

Notes:

1. The currency translation differences refer to the translation of foreign operations with a functional currency different from the Target Company’s presentation currency.
2. The currency translation differences mainly refer to the Target Company’s translation of convertible preferred shares and convertible redeemable preferred shares denominated in foreign currency.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2020, 2021 AND 2022 AND JUNE 30, 2023**

		As at December 31,			As at
	Notes	2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Assets					
Non-current assets					
Property and equipment	14	32,041	54,914	50,835	45,207
Investment properties	16	15,300	16,010	14,620	14,700
Right-of-use assets	15	18,489	124,159	95,155	81,137
Intangible assets	17	243,376	355,889	342,261	332,769
Financial assets at fair value through profit or loss	19	6,136	10,525	69,795	94,478
Fixed bank deposits	22(a)	–	–	199,646	230,000
Prepayments and deposits	21(a)	8,043	888	1,000	209,470
Amounts due from related parties	38(c)	89,717	–	–	–
Investments in associates	11	8,724	46,734	42,847	47,352
Deferred tax assets	31	4,224	9,551	7,804	7,918
		<u>426,050</u>	<u>618,670</u>	<u>823,963</u>	<u>1,063,031</u>
Current assets					
Trade receivables	20	46,797	84,820	99,084	51,174
Prepayments and other current assets	21(a)	79,732	110,379	126,342	102,995
Amounts due from related parties	38(c)	182,430	–	–	–
Financial assets at fair value through profit or loss	19	–	201,224	358,097	222,900
Cash and cash equivalents	22(a)	629,319	718,187	934,926	767,768
Fixed bank deposits	22(a)	–	–	–	190,617
Restricted cash	22(b)	–	638	696	723
		<u>938,278</u>	<u>1,115,248</u>	<u>1,519,145</u>	<u>1,336,177</u>
Assets of a disposal group classified as held-for-sale	21(b)	<u>–</u>	<u>–</u>	<u>53,146</u>	<u>–</u>
		<u>938,278</u>	<u>1,115,248</u>	<u>1,572,291</u>	<u>1,336,177</u>
Total assets		<u><u>1,364,328</u></u>	<u><u>1,733,918</u></u>	<u><u>2,396,254</u></u>	<u><u>2,399,208</u></u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS AT DECEMBER 31, 2020, 2021 AND 2022 AND JUNE 30, 2023**

	Notes	As at December 31,			As at
		2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Deficit and liabilities					
Deficit attributable to equity holders of the Target Company					
Share capital	23	47	47	47	48
Other reserves	24	36,620	293,930	60,260	(278,394)
Accumulated losses		(283,059)	(3,005,874)	(2,502,348)	(2,321,213)
		(246,392)	(2,711,897)	(2,442,041)	(2,599,559)
Non-controlling interests		723	10,483	7,172	8,054
Total deficit		(245,669)	(2,701,414)	(2,434,869)	(2,591,505)
Liabilities					
Non-current liabilities					
Lease liabilities	15	13,145	103,659	76,849	57,217
Deferred tax liabilities	31	–	5,029	4,736	4,237
Convertible redeemable preferred shares	33	746,193	2,448,645	2,730,121	2,314,950
Convertible preferred shares	34	314,726	1,234,924	1,362,112	1,500,243
		1,074,064	3,792,257	4,173,818	3,876,647
Current liabilities					
Borrowings	29	126,500	–	–	–
Amounts due to related parties	38(c)	35,234	–	–	–
Accounts payable	28	116,543	190,694	200,639	168,757
Other payables and accruals	28	184,920	343,235	301,156	197,190
Contract liabilities	30	57,957	80,530	115,049	86,636
Income tax payable		6,731	2,658	13,650	10,975
Convertible redeemable preferred shares	33	–	–	–	617,536
Lease liabilities	15	8,048	25,958	26,811	32,972
		535,933	643,075	657,305	1,114,066
Total liabilities		1,609,997	4,435,332	4,831,123	4,990,713
Total deficit and liabilities		1,364,328	1,733,918	2,396,254	2,399,208

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**TARGET COMPANY BALANCE SHEETS
AS AT DECEMBER 31, 2020, 2021 AND 2022 AND JUNE 30, 2023**

	Notes	As at December 31,			As at
		2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Assets					
Non-current assets					
Investments in subsidiaries	1.2	1,244,544	1,432,094	1,599,492	1,694,990
Current assets					
Prepayments and other current assets	21(a)	7	18,953	18,288	12,853
Amounts due from related parties	38(c)	302,010	571,766	796,172	665,613
Cash and cash equivalents	22	339,122	223,875	55,798	2,238
		641,139	814,594	870,258	680,704
Total assets		1,885,683	2,246,688	2,469,750	2,375,694
Equity/(deficit) and liabilities					
Equity/(deficit) attributable to equity holders					
Share capital	23	47	47	47	48
Other reserves	24	941,414	1,024,814	932,451	662,464
Accumulated losses		(162,371)	(2,501,496)	(2,592,760)	(2,748,697)
Total equity/(deficit)		779,090	(1,476,635)	(1,660,262)	(2,086,185)
Liabilities					
Non-current liabilities					
Convertible redeemable preferred shares	33	746,193	2,448,645	2,730,121	2,314,950
Convertible preferred shares	34	314,726	1,234,924	1,362,112	1,500,243
		1,060,919	3,683,569	4,092,233	3,815,193
Current liabilities					
Other payables and accruals	28	10,440	39,754	37,779	29,150
Amounts due to related parties	38(c)	35,234	–	–	–
Convertible redeemable preferred shares	33	–	–	–	617,536
		45,674	39,754	37,779	646,686
Total liabilities		1,106,593	3,723,323	4,130,012	4,461,879
Total equity/(deficit) and liabilities		1,885,683	2,246,688	2,469,750	2,375,694

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	<i>Notes</i>	Attributable to owners of the Target Company			Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity/ (deficit) <i>RMB'000</i>
		Share capital	Other reserves	Accumulated losses			
		<i>RMB'000</i>	<i>RMB'000</i> <i>(Note 24)</i>	<i>RMB'000</i>			
Balance at January 1, 2020		–	196,065	(17,825)	178,240	2,485	180,725
Comprehensive income/(loss)							
Loss for the year		–	–	(152,247)	(152,247)	(1,762)	(154,009)
Fair value change on convertible redeemable preferred shares due to own credit risk		–	3,649	–	3,649	–	3,649
Currency translation differences		–	8,714	–	8,714	–	8,714
Transactions with owners in their capacity as owners							
Issuance of ordinary shares	23(i)	47	–	–	47	–	47
Re-designation of ordinary shares to series Angel preferred shares	23(ii), 34	–	(198,591)	–	(198,591)	–	(198,591)
Repurchase of ordinary shares	23(i)	–	(104,398)	–	(104,398)	–	(104,398)
Share-based compensation	27	–	95,829	–	95,829	–	95,829
Dividend declared	26	–	34,365	(112,000)	(77,635)	–	(77,635)
Appropriations to statutory reserves		–	987	(987)	–	–	–
Balance at December 31, 2020		<u>47</u>	<u>36,620</u>	<u>(283,059)</u>	<u>(246,392)</u>	<u>723</u>	<u>(245,669)</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	Notes	Attributable to owners of the Target Company			Total	Non- controlling interests	Total equity/ (deficit)
		Share capital	Other reserves (Note 24)	Accumulated losses			
		RMB'000	RMB'000	RMB'000			
Balance at January 1, 2021		47	36,620	(283,059)	(246,392)	723	(245,669)
Comprehensive income/(loss)							
Loss for the year		–	–	(2,492,162)	(2,492,162)	(3,383)	(2,495,545)
Fair value change on convertible redeemable preferred shares due to own credit risk		–	(4,598)	–	(4,598)	–	(4,598)
Currency translation differences		–	43,528	–	43,528	224	43,752
Transactions with owners in their capacity as owners							
Share-based							
compensation	27	–	97,896	–	97,896	–	97,896
Dividend declared	26	–	138,546	(230,000)	(91,454)	–	(91,454)
Issuance of ordinary shares in relation to acquisition of subsidiaries	35(a)	2	49,866	–	49,868	–	49,868
Repurchase of ordinary shares	23(i)	–	(19,929)	–	(19,929)	–	(19,929)
Re-designation of ordinary shares to series C preferred shares	23(iii), 33	(2)	(51,549)	–	(51,551)	–	(51,551)
Contribution from non-controlling interests	25(b)(ii)	–	2,174	–	2,174	13,642	15,816
Acquisition of non-controlling interests	25(b)(i)	–	–	723	723	(723)	–
Appropriations to statutory reserves		–	1,376	(1,376)	–	–	–
Balance at December 31, 2021		<u>47</u>	<u>293,930</u>	<u>(3,005,874)</u>	<u>(2,711,897)</u>	<u>10,483</u>	<u>(2,701,414)</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	Notes	Attributable to owners of the Target Company			Total	Non- controlling interests	Total equity/ (deficit)
		Share capital	Other reserves (Note 24)	Accumulated losses			
		RMB'000	RMB'000	RMB'000			
Balance at January 1, 2022		47	293,930	(3,005,874)	(2,711,897)	10,483	(2,701,414)
Comprehensive income/(loss)							
Profit/(loss) for the year		–	–	511,906	511,906	(2,653)	509,253
Fair value change on convertible redeemable preferred shares due to own credit risk		–	10,239	–	10,239	–	10,239
Currency translation differences		–	(305,346)	–	(305,346)	(658)	(306,004)
Transactions with owners in their capacity as owners							
Share-based compensation	27	–	53,057	–	53,057	–	53,057
Appropriations to statutory reserves		–	8,380	(8,380)	–	–	–
Balance at December 31, 2022		<u>47</u>	<u>60,260</u>	<u>(2,502,348)</u>	<u>(2,442,041)</u>	<u>7,172</u>	<u>(2,434,869)</u>
(Unaudited) Balance at January 1, 2022		47	293,930	(3,005,874)	(2,711,897)	10,483	(2,701,414)
Comprehensive income/(loss)							
Profit/(loss) for the period		–	–	291,068	291,068	(1,625)	289,443
Fair value change on convertible redeemable preferred shares due to own credit risk		–	7,856	–	7,856	–	7,856
Currency translation differences		–	(171,275)	–	(171,275)	(540)	(171,815)
Transactions with owners in their capacity as owners							
Share-based compensation	27	–	34,722	–	34,722	–	34,722
Balance at June 30, 2022		<u>47</u>	<u>165,233</u>	<u>(2,714,806)</u>	<u>(2,549,526)</u>	<u>8,318</u>	<u>(2,541,208)</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	<i>Notes</i>	Attributable to owners of the Target Company			Total	Non- controlling interests	Total equity/ (deficit)
		Share capital	Other reserves <i>(Note 24)</i>	Accumulated losses			
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>			
Balance at January 1, 2023		47	60,260	(2,502,348)	(2,442,041)	7,172	(2,434,869)
Comprehensive income/(loss)							
Profit/(loss) for the period		-	-	181,135	181,135	(539)	180,596
Fair value change on convertible redeemable preferred shares due to own credit risk		-	(24,526)	-	(24,526)	-	(24,526)
Currency translation differences		-	(160,472)	-	(160,472)	1,421	(159,051)
Transactions with owners in their capacity as owners							
Exercise of share options	23	1	-	-	1	-	1
Dividends declared	26	-	(198,440)	-	(198,440)	-	(198,440)
Share-based compensation	27	-	44,784	-	44,784	-	44,784
Balance at June 30, 2023		<u>48</u>	<u>(278,394)</u>	<u>(2,321,213)</u>	<u>(2,599,559)</u>	<u>8,054</u>	<u>(2,591,505)</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	36(a)	265,892	176,985	768,014	218,495	304,675
Income tax paid		(7,796)	(20,717)	(56,918)	(10,740)	(24,284)
Net cash generated from operating activities		258,096	156,268	711,096	207,755	280,391
Cash flows from investing activities						
Purchase of property and equipment		(10,864)	(34,239)	(8,898)	(6,039)	(1,135)
Purchase of other intangible assets	36(b)	(25,606)	(32,607)	(6,890)	(6,224)	(5,330)
Purchase of Esports licenses and contracts	36(b)	(161,283)	(40,000)	–	–	(5,000)
Payment for deposit for the acquisition of land use right	21(a)	–	–	–	–	(208,470)
Payment for the assets of a disposal group classified as held-for-sale	21(b)	–	–	(32,429)	–	–
Proceeds from disposal of property, equipment and intangible assets	36(c), 36(b)	2,273	7,196	3,012	1,165	2,368
Purchase of investments in non-current financial assets at fair value through profit or loss		(3,000)	–	(64,405)	(13,423)	(11,828)
Proceeds from disposal of non-current financial assets at fair value through profit or loss		2,020	–	–	–	–
Proceeds from derecognition of the assets of a disposal group classified as held-for-sale, net of cash acquired	21(b)	–	–	–	–	35,732
Purchase of investments in associates		(5,000)	(35,000)	(15,000)	(15,000)	(5,067)
Purchase of investments in current financial assets at fair value through profit or loss		(60,000)	(874,730)	(1,345,783)	(617,604)	(985,244)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss		123,211	675,538	1,196,766	784,428	1,129,601
Loans to related parties		(284,040)	–	–	–	–
Repayment from loans to related parties		104,400	284,040	–	–	–
Interest income received		1,355	3,349	15,793	4,303	17,526
Payment of fixed bank deposits		–	–	(199,646)	(139,646)	(290,617)
Proceeds from fixed bank deposit		–	–	–	–	69,646
Consideration paid for business combination, net of cash acquired	35	–	(1,591)	(18,052)	(18,052)	–
Net cash used in investing activities		(316,534)	(48,044)	(475,532)	(26,092)	(257,818)

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022 AND SIX MONTHS
ENDED JUNE 30, 2022 AND 2023**

	<i>Note</i>	Year ended December 31,			Six months ended	
		2020	2021	2022	June 30,	2023
		RMB'000	RMB'000	RMB'000	2022	2023
					(Unaudited)	(Unaudited)
					RMB'000	RMB'000
Cash flows from financing activities						
Proceeds from issuance of convertible redeemable preferred shares	36(f)	522,449	290,703	-	-	-
Proceeds from issuance of convertible notes	32	176,988	-	-	-	-
Proceeds from borrowings		126,500	-	20,000	20,000	-
Repayment of borrowings		-	(126,500)	(20,000)	-	-
Principal elements of lease liabilities	15	(6,719)	(18,911)	(25,957)	(13,998)	(13,471)
Repayment of interest on lease liabilities	15	(984)	(3,723)	(4,816)	(2,553)	(2,008)
Proceeds from issuance of ordinary shares		47	-	-	-	-
Proceeds from issuance of Series Angel Preferred Shares		12	-	-	-	-
Payment of repurchase of ordinary shares	36(e)	(58,726)	(65,601)	-	-	-
Contribution from non-controlling interests		-	15,816	-	-	-
Listing expenses paid		-	(2,663)	(2,767)	-	(329)
Dividends paid	26	(146,995)	(91,454)	-	-	(197,344)
Finance costs paid		(3,233)	(1,495)	(618)	(306)	-
Net cash generated from/(used in) financing activities		<u>609,339</u>	<u>(3,828)</u>	<u>(34,158)</u>	<u>3,143</u>	<u>(213,152)</u>
Net increase/(decrease) in cash and cash equivalents		<u>550,901</u>	<u>104,396</u>	<u>201,406</u>	<u>184,806</u>	<u>(190,579)</u>
Cash and cash equivalents at the beginning of the year/period	22(a)	78,310	629,319	718,187	718,187	955,643
Effects of exchange rate changes on cash and cash equivalents		108	(15,528)	36,050	20,626	2,704
Cash and cash equivalents at the end of the year/period	22(a)	<u><u>629,319</u></u>	<u><u>718,187</u></u>	<u><u>955,643</u></u>	<u><u>923,619</u></u>	<u><u>767,768</u></u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

Quwan Holding Limited (“Quwan” or the “Target Company”) was incorporated under the laws of the Cayman Islands on May 29, 2019, as an exempted company with limited liability. The registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Target Company is an investment holding company. The Target Company and its subsidiaries, including structured entities (collectively, the “Target Group”), engage in value-added telecommunication services, gaming distribution and Esports operation business. During the Track Record Period, the Target Group’s primary operations are conducted in the People’s Republic of China (“PRC”).

1.2 History and reorganisation of the Target Group

The Target Group commenced its operation through Guangzhou Quwan Network Technology Co., Ltd (“Guangzhou Quwan”) since 2014. Guangzhou Quwan was established by Mr. Song Ke, Mr. Guangyao Chen, Mr. Zhizhao Qiu, Mr. Teng Yu, Mrs. Yang Zhou, Zhuhai Xinghui Investment Co., Ltd. and Xinyu High-tech Zone Houhe Investment Management Center (Limited Partnership), and subsequently obtained financing from various third party investors from 2016 through 2020. To facilitate offshore financing transaction and in preparation for its listing (“Listing”), the Target Group completed a reorganisation (the “Reorganisation”) in November 2020, which involved the following steps:

- On May 29, 2019, the Target Company was established under the laws of the Cayman Islands as an exempted company with limited liability.
- On June 13, 2019, Quwan (HK) Limited (“Quwan HK”) was incorporated in Hong Kong as a wholly owned subsidiary of the Target Company.
- On July 12, 2019, Guangzhou Yongjie Network Technology Co., Ltd. (formerly known as Zhuhai Huanquhui Network Technology Co., Ltd.) was established as a wholly foreign-owned enterprise (“WFOE”) of Quwan HK in the PRC.
- On November 11, 2020, the Target Company issued 55,243,376 ordinary shares and 17,723,079 Series Angel Preferred Shares to entities controlled by the existing shareholders of Guangzhou Quwan based on their respective equity interests in Guangzhou Quwan.
- On November 11, 2020, the Target Company also committed to issue and allot 17,059,249 ordinary shares and 10,440,854 Series Angel Preferred Shares to entities controlled by the existing shareholders of Guangzhou Quwan based on their respective equity interest in Guangzhou Quwan. These part of ordinary shares and Series Angel Preferred Shares were subsequently allotted on December 10, 2020 and March 19, 2021, respectively, after the completion of statutory filing and foreign exchange registration for outbound investment, respectively.

As part of the Reorganisation in November 2020, a series of contractual agreements (collectively the “Contractual Arrangements”) were entered into among the WFOE, Guangzhou Quwan and its existing shareholders. Consequently, the WFOE became the primary beneficiary of Guangzhou Quwan, and Guangzhou Quwan and its subsidiaries became structured entities which are controlled by the Target Company.

Upon completion of the Reorganisation on November 11, 2020, the Target Company became the holding company of the other companies comprising the Target Group.

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ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED
II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION (CONTINUED)

1.2 History and reorganisation of the Target Group (Continued)

The Target Company’s principal subsidiaries (including controlled and structured entities) during the Track Record Period are set out below. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held			Note		
				As at December 31, 2020	As at December 31, 2021	As at June 30, 2022		As at the date of this report	Principal activities
Subsidiaries directly held: Quwan (HK) Limited	Hong Kong, limited liability company	June 13, 2019	HK\$1	100%	100%	100%	100%	Investment holding	iii
Indirectly held: Republic of Gamers Network Technology Ltd	UAE, limited liability company	October 25, 2020	RMB15,000,000	70%	70%	70%	70%	Operation of interactive online platform	iv
Guangzhou Yongjie Network Technology Co., Ltd. (formerly known as Zhuhai Huanquhui Network Technology Co., Ltd)	China, limited liability company	July 12, 2019	US\$100,000,000	100%	100%	100%	100%	Investment holding company	vii
Structured entities (Note i) Guangzhou Quwan Network Technology Co., Ltd	China, limited liability company	December 13, 2014	RMB10,653,933	100%	100%	100%	100%	Operation of interactive online platform and online games publishing	v

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ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED
II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION (CONTINUED)

1.2 History and reorganisation of the Target Group (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	As at			Principal activities	Note
				December 31, 2021	June 30, 2022	As at the date of this report		
Structured entities (Note i)								
(continued)								
Guangzhou Shabake Network Technology Co., Ltd	China, limited liability company	October 21, 2015	RMB10,000,000	100%	100%	100%	Operation of interactive online platform and online games publishing	v
Guangzhou Qijing Culture Media Co., Ltd (“Guangzhou Qijing”)	China, limited liability company	November 21, 2019	RMB52,626,039	95.01%	100%	100%	Operation of Esports game team	v, viii
Xiamen Saimalei Technology Co., Ltd (“Xiamen Saimalei”)	China, limited liability company	September 11, 2017	RMB13,800,000	95.01%	100%	100%	Operation of Esports game team	v, viii
Guangzhou Jingwan Cultural Media Co., Ltd (“Guangzhou Jingwan”)	China, limited liability company	May 29, 2020	RMB170,000,000	95.01%	100%	100%	Operation of Esports game team	vi, viii
Guangzhou Qucheng Culture Media Co., Ltd. (“Guangzhou Qucheng”)	China, limited liability company	October 12, 2021	RMB30,000,000	–	100%	100%	Operation of Esports game team	viii, ix
Guangzhou Quyan Network Technology Co., Ltd. (“Guangzhou Quyan”)	China, limited liability company	March 3, 2021	RMB200,000,000	–	100%	100%	Operation of software maintenance and development	x

APPENDIX I

ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED II NOTES TO THE HISTORICAL FINANCIAL INFORMATION 1 GENERAL INFORMATION AND REORGANISATION (CONTINUED)

1.2 History and reorganisation of the Target Group (Continued)

Notes:

- (i) As described in Note 2.2, the Target Company does not have direct or indirect legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Target Company and its other legally owned subsidiaries have rights to exercise power over these structured entities, receive variable returns from its involvement in these structured entities, and have the ability to affect those returns through its power over these structured entities. As a result, they are presented as structured entities of the Target Company.
- (ii) All companies comprising the Target Group have adopted December 31, as their financial year end date.
- (iii) The HK statutory financial statements of this company for the years ended December 31, 2020 and 2021 were audited by Sammi Y. S. Liu & Co., and the HK statutory financial statements for the year ended December 31, 2022 were audited by ICS CPA Limited.
- (iv) No statutory audited financial statements were issued for this company as there is no statutory audit requirement in the respective place of incorporation.
- (v) The PRC statutory financial statements of these companies for the years ended December 31, 2020 and 2021 were audited by Zhihua CPA Limited, and the PRC statutory financial statements for the year ended December 31, 2022 were audited by Huaxing CPA Limited.
- (vi) The PRC statutory financial statements of the company for the period from May 29, 2020 (date of incorporation) to December 31, 2020, and for the year ended December 31, 2021 were audited by Zhihua CPA Limited, the statutory financial statements for the year ended December 31, 2022 were audited by Huaxing CPA Limited.
- (vii) No statutory audited financial statements of this company were issued for the year ended December 31, 2020. The PRC statutory financial statements of the company for the year ended December 31, 2021 were audited and issued by Zhihua CPA Limited, and the statutory financial statements for the year ended December 31, 2022 were audited by Huaxing CPA Limited.
- (viii) After the Track Record Period, Guangzhou Jingwan is in the process of deregistration and Guangzhou Qijing and Xiamen Saimaitai have ceased their original principal business. The Target Group’s operations of Esports game teams were subsequently transferred to Guangzhou Qucheng.
- (ix) No statutory audited financial statements of this company were issued for the period from October 12, 2021 (date of incorporation) to December 31, 2021. The PRC statutory financial statements of the company for the year ended December 31, 2022 were audited by Huaxing CPA Limited.
- (x) The PRC statutory financial statements of the company for the period from March 3, 2021 (date of incorporation) to December 31, 2021 were audited by Guangdong Zhongzhixin CPA Limited, and the statutory financial statements for the year ended December 31, 2022 were audited by Huaxing CPA Limited.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION (CONTINUED)

1.2 History and reorganisation of the Target Group (Continued)

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Cost				
Initial cost	–	23,080	23,080	23,080
Deemed investment arising from the Reorganisation (<i>Note (a)</i>)	1,207,709	1,207,709	1,207,709	1,207,709
Deemed investment arising from share-based compensation (<i>Note (b)</i>)	50,947	194,196	247,253	292,037
Deemed investment in relation to acquisition of subsidiaries (<i>Notes (c) & 35(a)</i>)	–	49,866	49,866	49,866
Exchange differences	(14,112)	(42,757)	71,584	122,298
	<u>1,244,544</u>	<u>1,432,094</u>	<u>1,599,492</u>	<u>1,694,990</u>

Notes:

- (a) Deemed investment arising from the Reorganisation represented the fair value of Guangzhou Quwan acquired by the Target Company upon completion of the Reorganisation.
- (b) The Target Company granted share options directly to employees and management of its subsidiaries within the Target Group, and the Target Company did not charge the subsidiaries for the transaction. In the consolidated financial statements, the transaction was treated as a share-based compensation. While in the separate financial statements of the Target Company, it was recorded as an increase in the investment in the subsidiaries.
- (c) Deemed investment in relation to acquisition of subsidiaries was resulted from the Target Group’s sale and purchase agreement with Uki Holding Limited and its subsidiaries (“Uki Group”) and its shareholders to purchase 100% equity interests of certain subsidiaries of Uki Group in April 2021.

1.3 Basis of presentation

Prior to the Reorganisation, the shareholders of Guangzhou Quwan included individual shareholders and limited partnerships. Pursuant to laws applicable to PRC residents and entities incorporated in the PRC, PRC individuals should complete registration of its outbound investments (i.e. the foreign exchange registration under SAFE Circular 37), and PRC institutional investors should complete its statutory filings and foreign exchange registrations for outbound investment (i.e. ODI) respectively, before such PRC residents or entities’ can legally own offshore investments or equity interests in offshore entities. As such, all PRC individual shareholders of Guangzhou Quwan shall complete their relevant registrations and/or statutory filings, as appropriate, before they can, in accordance with applicable PRC laws, hold directly or indirectly the ordinary shares of the Target Company, which is incorporated under the laws of the Cayman Islands (see Note 23).

The shareholdings in Guangzhou Quwan and the Target Company were with a high degree of common ownership immediately before and after the Reorganisation where Mr. Song Ke had controlling ownership. The Target Company, being the holding company after the Reorganisation, is a newly established shell company. These transactions did not cause a change in control of the Target Company before and after the Reorganisation and therefore the Reorganisation was accounted for as a recapitalisation and regarded as continuation of the business without any changes in business substances, nor in any management or the ultimate controlling party of the Target Group. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of business with the assets and liabilities of the Target Group recognised and measured at the carrying amounts prior to the Reorganisation.

For the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis. Contractual Arrangements were also executed for the operating companies in the PRC established by the Target Group. All of these operating companies are treated as controlled structured entities of the Target Company and their financial statements have also been consolidated by the Target Company.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material accounting policies applied in the preparation of the Historical Financial Information. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

(a) *Compliance of IFRS Accounting Standards*

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“**IFRS Accounting Standards**”).

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(b) *Historical cost convention*

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value and asset classified as held-for-sale measured at the lower of its carrying amount and fair value less costs to sell.

(c) *Going concern*

As at June 30, 2023, the Target Group reported a deficit position of approximately RMB2,591,505,000.

The Target Group’s source of finance mainly derived from the Target Company’s convertible redeemable preferred shares (“**CRPS**”) and convertible preferred shares (“**CPS**”). As at June 30, 2023, financial liabilities in relation to CRPS and CPS, totalling approximately RMB4,432,729,000, attributed substantially to the Target Group’s deficit position.

As detailed in Notes 33 and 34, as at June 30, 2023, except for certain CRPS amounted to approximately RMB617,536,000 which may be redeemable at the option of the holders within twelve months from June 30, 2023, the remaining CRPS amounted to approximately RMB2,314,950,000 are not redeemable until November 2024 or December 2024, while for CPS amounted to approximately RMB1,500,243,000, the holders do not have redemption right. Both CRPS and CPS would be converted to equity upon the listing of the Target Company.

Subsequently in December 2023, all the CRPS holders agreed to amend certain redemption terms that their shares may not be redeemable until January 2025.

Based on the above, as well as the Target Group’s performance during the Track Record Period and its financial position as at June 30, 2023, the directors of the Target Company believe that the Target Group will have sufficient financial resources to continue its operations and to meet its financial obligations, including its commitments, as and when they fall due at least in the next twelve months from June 30, 2023. Consequently, the Historical Financial Information has been prepared on a going concern basis.

(d) *New and amended standards adopted by the Target Group*

The IASB has issued a number of new and amended IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Target Group has adopted all applicable new and amended IFRS Accounting Standards consistently throughout the Track Record Period except for any new or interpretation that are not yet effective for the financial year beginning at January 1, 2023.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(e) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been issued but are not yet effective and have not been early adopted by the Target Group during the Track Record Period. With the exception of the Amendments to IAS 1, Classification of Liabilities as Current or Non-current, which management is still assessing for their impact on the Target Group, these standards are not expected to have a significant impact on the Target Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for annual years beginning on or after
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IFRS 16, Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1, Non-current Liabilities with Covenant	January 1, 2024
Amendment to IAS 7 and IFRS 7, Supplier Finance Arrangement	January 1, 2024
Amendments to IFRS 10 an IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Target Group has control. The Target Group controls an entity where the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

When the Target Group assesses whether it controls an investee, it determines whether it is a principal or an agent and whether another entity with decision-making rights is acting as an agent for the Target Group. The Target Group treats the decision making rights held by its agent as held by the Target Group directly. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. When determining whether a decision maker is an agent or not, the Target Group considers various factors including the scope of decision making authority and the decision maker’s exposure to returns from the investee. When a decision maker with extensive decision-making authority does not have significant exposure to the returns from the investee, the decision maker will be an agent.

The acquisition method of accounting is used to account for business combinations by the Target Group (refer to Note 35).

Inter-company transactions, balances and unrealised gains on transactions between Target Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive income, statements of changes in equity and balance sheets respectively.

(b) Associates

Associates are all entities over which the Target Group has significant influence but not control or joint control. This is generally the case where the Target Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

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ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(c) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Target Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Target Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Target Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Target Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Target Group and its associates and joint ventures are eliminated to the extent of the Target Group’s interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

The carrying amounts of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

2.2.1 *Subsidiaries controlled through Contractual Arrangements*

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Target Group operates its website and other restricted businesses in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of the Target Group (“Nominee Shareholders”). The Target Group signed Contractual Arrangements with the PRC operating entity and its subsidiaries. The Contractual Arrangements include exclusive technical consultation and service agreements, exclusive option agreements, equity pledge agreements and powers of attorney, which enable the Target Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE’s discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective nominee shareholders as collateral for all of the PRC entities’ payments due to the Target Group to secure performance of entities’ obligation under the Contractual Arrangements.

Accordingly, the Target Group has rights to control these entities. As a result, they are presented as entities controlled by the Target Group.

APPENDIX I

ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(c) *Equity method (Continued)*

2.2.2 *Business combination*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Target Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from such remeasurement is recognised in profit or loss.

2.3 Target Company’s separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Target Company that make strategic decisions.

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ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial information of each of the Target Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Target Company and certain of its overseas subsidiaries is US\$. The Target Company’s primary subsidiaries and structured entities are incorporated in the PRC and for these subsidiaries and structured entities, RMB is the functional currency. The Target Group’s presentation currency is RMB.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end’s exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements on a net basis within “other gains, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gains or losses. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in consolidated income statements as part of the “other gains, net”.

(c) *Target Group companies*

The results and financial position of all the Target Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (Continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Buildings	30 years
Servers, computers and electronic equipment	5 years
Office and transportation equipment	4-5 years
Leasehold improvements	shorter of lease term or 5 years

Property and equipment arising from business acquisition is depreciated over the remaining useful life.

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represent buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. Construction in progress is carried at costs which include development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, constructions in progress are transferred to other property, plant and equipment at cost less accumulated impairment losses.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other gains, net” in the consolidated income statements.

2.7 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Target Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of the “other gains, net”.

On the transfer of self-occupied property to investment property, increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders’ equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the consolidated income statement.

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.2.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the sale value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

(b) Trademarks and domain names, online game licenses, computer software and systems

Separately acquired domain names, trademarks, internet audio/video program transmission licenses, operating licenses and copyrights are initially recognised and measured at historical cost. The assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation and impairment losses (if any). The useful life arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the Target Company expects to use the asset. If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life shall include the renewal periods only if no significant cost expected to be incurred in the renewal.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Target Group are recognised as intangible assets, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. For details, refer to Note 2.8(d).

(c) Other intangible assets

Other intangible assets mainly include customer relationships. They are initially recognised and measured at estimated fair value of intangible assets acquired through business combinations.

(d) Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

There were no development costs meeting these criteria and capitalised as intangible assets during the Track Record Period.

(e) Amortisation methods and periods

The Target Group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Acquired technology	7 years	Estimated period during which such technology can bring economic benefits
Acquired brand name	5 years	Estimated period during which such brand name can bring economic benefits
Esports player’s rights	3-5 years	Shorter of the period of contractual rights and estimated period during which such assets can bring economic benefits
Esports licenses and contracts	10 years	Shorter of the period of contractual rights and estimated period during which such assets can bring economic benefits
Online game licenses	2-5 years	Estimated period during which such assets can bring economic benefits
Audio video service permission license (“AVSP license”)	10 years	Estimated period during which such license can bring economic benefits
Computer software and systems	1-10 years	Shorter of the period of contractual rights and estimated period during which such assets can bring economic benefits
Domain names	10 years	The period of effective registration during which such domain name can bring economic benefits
Trademarks	10 years	The period of effective registration during which such trademark can bring economic benefits

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets including property and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Target Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value (either through other comprehensive income/(loss) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (“OCI”). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Target Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

See Note 18 for details of each type of financial assets.

The Target Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Target Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are immediately expensed.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Target Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statements.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the consolidated income statements.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

Equity instruments

The Target Group subsequently measures all equity investments at fair value. Where the Target Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Target Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Target Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the consolidated income statements as applicable.

(d) Impairment

The Target Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Target Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 20 for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Target Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See Note 20 for further information about the Target Group's accounting for trade receivables, Note 21 for further information about other receivables and Note 2.10(d) for a description of the Target Group's impairment policies.

2.13 Disposal group held-for-sale

Disposal group is classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. For assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair value, would continue to be measured in accordance with the policies set out elsewhere in note 2.

A remeasurement loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of a disposal group, but not in excess of any cumulative remeasurement loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised.

The assets of a disposal group classified as held-for-sale are presented separately from the other assets in the consolidated balance sheets. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the consolidated balance sheets.

2.14 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, cash at call with banks, short-term deposits with maturities of three months or less and cash held at third party payment platforms that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

2.15 Share capital

Ordinary shares are classified as equity (Note 23). Convertible redeemable preferred shares and convertible preferred shares are classified as financial liabilities, see Note 2.17 and Note 3.3.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Target Group purchases the Target Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Target Company until the shares are reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Target Company.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.16 Accounts and other payables

Accounts and other payables represent liabilities for goods and services provided to the Target Group prior to the end of financial period which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Convertible redeemable preferred shares and convertible preferred shares

Convertible redeemable preferred shares

Convertible redeemable preferred shares issued by the Target Company are redeemable at the option of the holders any time after a certain date and are redeemable upon occurrence of certain redemption events. These instruments can also be converted into ordinary shares of the Target Company at any time at the option of the holders, or automatically upon occurrence of a qualified listing (“Qualified Listing”) of the Target Company. For details, refer to Note 33.

The Target Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Fair value changes relating to market risk are recognised in profit or loss, and the component of fair value changes relating to the Target Company’s own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realised.

The convertible redeemable preferred shares were classified as non-current liabilities unless the convertible redeemable preferred shares holders can demand the Target Company to redeem the convertible redeemable preferred shares within 12 months after the end of the reporting period.

Convertible preferred shares

Convertible preferred shares issued by the Target Company are convertible into ordinary shares of the Target Company at the option of the holders, or automatically upon occurrence of a qualified listing (“Qualified Listing”) of the Target Company. For details, refer to Note 34.

The Target Group designated the convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Fair value changes relating to market risk are recognised in profit or loss.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Target Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Target Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss, and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realised or the deferred tax liabilities is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax are recognised in profit or loss, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations, which are included in other payables and accruals in the consolidated balance sheets.

(b) Pension obligations

Employees in the Target Group’s PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Target Group’s PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Target Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expenses when they are due.

(c) Bonus plans

The Target Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Target Company’s shareholders after certain adjustments. The Target Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Share-based compensation

Share-based compensation arises from share options for the purchase of ordinary shares granted by the Target Group to its management and other key employees and repurchases of ordinary shares from management.

Employee options

The Target Group operates the 2015 PRC Incentive Plan (“the 2015 PRC Plan”) and the 2020 Global Employee Incentive Plan (“the 2020 Plan”) under which it receives services from employees in exchange for equity instruments of the Target Company.

The fair value of options granted under the 2015 PRC Plan and the 2020 Plan are recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each financial period, the Target Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition

The Target Group derives revenue from (i) operating interactive online platforms which primarily consists of (a) value added services and (b) audio entertainment, and (ii) offering virtual items in online games and other related revenue. The Target Group adopted IFRS 15, “Revenue from Contracts with Customers” for all periods presented. Consistent with the criteria of IFRS 15, the Target Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Target Group expects to receive in exchange for those goods or services using the five steps defined under IFRS 15.

2.22.1 The accounting policy for the Target Group’s principal revenue sources

(a) Interactive online platform

The Target Group is principally engaged in operating an interactive online platform which enables hosts and users or user themselves to interact with each other real time through various experiences. These experiences primarily consist of: (a) providing value added services where the content to be delivered through these experiences is either controlled by the Target Group or the users (“Value Added Services”) and (b) engaging hosts to provide audio entertainment (“Audio Entertainment”). Through the provision of the interactive online platform enabling participants to interact with each other, the Target Group monetises such experiences through the sales of virtual items on the platform as participants would purchase and present these virtual items to each other to show their appreciations. The Target Group has a recharge system for users to purchase the Target Group’s virtual currency (e.g. “TT beans”) which is then used to purchase virtual items for use. Users can recharge via bank transfer and various online third-party payment platforms, including AliPay, WeChat Pay and other payment platforms. Virtual currency is non-refundable and without expiry. Virtual currencies used to purchase virtual items are recognised as revenue according to the prescribed revenue recognition policies addressed below unless otherwise stated.

The virtual currency often consumed soon after it is purchased based on history of turnover of the virtual currency. Furthermore, upon receipt of gifting, the virtual gifts received would convert into virtual tokens (e.g. “TT points”) TT points can either be converted back into virtual currency or cash at the discretion of the users which are recorded as accounts payable. Unconsumed virtual currency are recorded as contract liabilities which is further discussed in the subsequent section “Contract balances”.

Consumable virtual items are categorised as consumable when they are consumed upon purchase. Users purchase consumable virtual items and present them to hosts or other users to show their appreciation and demonstrate their enjoyment of experiences received on the platform. Once the gifting of consumable virtual items occurred, the user acknowledged that he/she has received/enjoyed the entertainment experiences on the platform such that the Target Group no longer has any further obligations towards the user. The Target Group does not have further performance obligations to the user after the corresponding virtual items are consumed immediately. Revenue from sales of consumable virtual items are recognised at a point in time.

Starting from 2020, part of the revenues of value added services are generated from time-based items, which could be used for a fixed period of time such as a virtual special symbol that can be purchased and displayed on the users’ profile over a short fixed period of time. Users can purchase either consumable or time-based items and present these virtual items to hosts to show support for their favorite hosts or purchase time-based virtual items that enhance the users’ personal profile. Time based virtual items are typically consumed within one to two months for the periods presented. Revenue from sales of time based virtual items are recognised over time.

As the Target Group’s virtual items are generally sold without right of return and the Target Group does not provide any other credit and incentive to its users, accounting of variable consideration when estimating the amount of revenue to recognise is not applicable to the Target Group’s Value Added Services and Audio Entertainment. As the virtual currency is often consumed soon after it is purchased based on history of turnover of the virtual currency, the Target Group considers it does not expect to be entitled to a breakage amount for the virtual currency.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

2.22.1 The accounting policy for the Target Group’s principal revenue sources (Continued)

(a) Interactive online platform (Continued)

(a.i) Value added services

The Target Group involves hosts and users to provide Value Added Services through the following channels:

(a.i.1) Content controlled by the Target Group

For certain chatrooms within the interactive online platform which the content is controlled by the Target Group, the Target Group involves an approved guild (“Guild”) where each Guild would be operated by a representative (“Representative”) and users enrolled in the Guild to provide Value Added Services. Representative of the Guild must be contracted by the Target Group in order to provide Value Added Services to other users on the platform. The Target Group shares a portion of the proceeds of virtual items (“revenue sharing fee”) with the recipients and their respective Guilds in accordance with agreements. The Target Group views users to be its customers. The Target Group evaluates and determines that it is the principal when delivering Value Added Services and reports the corresponding revenues on a gross basis. Accordingly, the amounts billed to users are recorded as revenues. However, given the nature of these experiences, where users present virtual items to other users, the revenue sharing fee paid to the recipients would be recorded as reduction of revenues.

Where the Target Group is the principal, it controls the content to be delivered within the Value Added Services before they are transferred to users. The content controlled by the Target Group may encompass graphics being used, sound and visual effects being displayed, background music being played, topics being discussed, games being played or natures of the content (e.g. games, music, anime, comic, novel, emotional counseling, storytelling, online dating, online karaoke and talk shows). Its control is evidenced by the Target Group oversights the content to be distributed throughout these Value Added Services. For Value Added Services on the platform, the content to be delivered is required to be pre-approved by the Target Group. Furthermore, during the delivery of the content, the Target Group would exercise on-going monitoring and if there is any deviation from the pre-approved content during the delivery, the Target Group would penalise the Representatives and users from temporary suspension to permanently removal from the platform. In addition, the Target Group has the sole ability to monetise the virtual items before they are transferred to users, and is further supported by the Target Group being primarily responsible to users and having a level of discretion in establishing pricing. The Target Group designs, creates and offers various virtual items for sale to users with pre-determined stand-alone selling prices. Virtual items are categorised as consumable and time-based items.

(a.i.2) Content controlled by the users

For chatrooms which content is not controlled by the Target Group, the control over the content to be distributed in certain experiences are exercised by the users. These chatrooms are not operated by Guilds and Representatives and the Target Group does not have any process in place to review the content to be delivered. The Target Group would only exercise on-going monitoring to ensure the content being distributed are not in any violation of the rules and regulations established by the Target Group and in the PRC. Therefore, the Target Group does not exercise any control over the topics being discussed, games being played or nature of the content in these experiences. In these instances, the Target Group evaluates and determines that it is the agent and reports the corresponding revenues on a net basis. Accordingly, the Target Group records the net amounts billed to users after deducting revenue sharing fees paid to other recipients as revenue as the Target Group is considered as an agent within these experiences.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

2.22.1 The accounting policy for the Target Group's principal revenue sources (Continued)

(a) Interactive online platform (Continued)

(a.ii) Audio entertainment

In audio-streaming chatrooms of the platform, the Target Group engages hosts to provide Audio Entertainment and each host must be contracted by an approved Guild where each Guild would be operated by a Representative. Both the host and Representative of the Guild must be contracted by the Target Group in order to provide Audio Entertainment to other users on the platform. The Target Group shares a portion of the revenue with the hosts and their respective Guilds in accordance with agreements. The Target Group views users to be its customers. The Target Group evaluates and determines that it is the principal when delivering Audio Entertainment and reports the corresponding revenues on a gross basis. Accordingly, the amounts billed to users are recorded as revenues and revenue sharing fee paid to hosts and their respective Guilds are recorded as cost of revenues. However, when the virtual items are purchased by the hosts and presented them back to the users to show hosts' appreciation for supporting them, the portion retained by the Target Group in these transactions are recorded as reduction of cost of revenues. Given the nature of these experiences, where users may present virtual items to other users, the related revenue sharing fee paid to the recipients would be recorded as reduction of revenues.

Where the Target Group is the principal, it controls the content to be delivered within the Audio Entertainment as well as the virtual items before they are transferred to users. Its control is evidenced by the Target Group oversights the content to be distributed throughout these Audio Entertainment. Each time the Representative would like to host any Audio Entertainment on the platform, the content to be delivered is required to be pre-approved by the Target Group. Furthermore, during the delivery of the content, the Target Group would exercise on-going monitoring and if there is any deviation from the pre-approved content during the delivery, the Target Group would penalise the representatives and hosts from temporary suspension to permanently removal from the platform. In addition, the Target Group has the sole ability to monetise the virtual items before they are transferred to users, and is further supported by the Target Group being primarily responsible to users and having a level of discretion in establishing pricing. The Target Group designs, creates and offers various virtual items for sale to users with pre-determined stand-alone selling prices. Virtual items are categorised as consumable and time-based items. Consumable items are consumed upon purchase while time-based items could be used for a fixed period of time such as a virtual special symbol that can be purchased and displayed on the users' profile over a short fixed period of time. Users can purchase either consumable or time-based items and present these virtual items to hosts to show support for their favorite hosts or purchase time-based virtual items that enhance the users' personal profile. Time based virtual items are typically consumed within one to two months for the periods presented.

(b) Online games revenues

The Target Group generates revenues from offering virtual items in online games developed by the Target Group itself or third parties to game users. The purchased virtual items, including consumable and perpetual items, can be utilised in the online games to enhance their game-playing experience. Consumable items represent virtual items that can be consumed by a specific game user within a specified period of time. Perpetual items represent virtual items that are accessible to the game users' account over the life of the online games. The Target Group has a recharge system for game user to purchase game tokens for use. Game user can recharge via various online third-party payment platforms, including WeChat Pay, AliPay and other payment platforms. The Target Group considers these payments platforms are its vendors and payment handling charges are recognised as cost of revenues. Game tokens are non-refundable and without expiry. As the game token is often consumed soon after it is purchased based on history of turnover of the game token, the Target Group considers it does not expect to be entitled to a breakage amount for the game token.

The majority of online games revenues were derived from the third parties' developed games for the periods presented.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

2.22.1 The accounting policy for the Target Group’s principal revenue sources (Continued)

(b) Online games revenues (Continued)

(b.i) Third-parties’ developed games

Pursuant to contracts signed between the Target Group and the respective game developers, game developers own the games’ copyrights and other intellectual property, and take primary responsibilities of game development and game operation, including designing, developing and updating of the games related to game content, pricing of virtual items, providing ongoing updates of new content and bug fixing. The Target Group’s responsibilities under the agreements with the game developers to offer certain standard promotions that include providing access to the platform, announcing the new games to users on the platform, and occasional advertising on the Target Group’s platforms. Therefore, revenues derived from third party developed games are recorded on a net basis, net of the amount paid to game developers. Given that third party developed games are managed and administered by the third-party game developers, the Target Group does not have access to the data on the consumption details such as when the game token is spent on the virtual items or the types of virtual items (i.e. consumable or perpetual items) purchased by each individual game player. However, the Target Group maintains historical data on timing of the conversion of its virtual currency into game specific tokens and the amount of purchases of game tokens. The Target Group believes that its responsibility to the game developers correspond to the game developers’ services to the game users. The Target Group has adopted a policy to recognise revenues relating to game tokens for third party developed games over the estimated user relationship period with the Target Group on a game-by-game basis, which is approximately one to two months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship period with the Target Group may change in the future.

(b.ii) Self-developed games

With respect to the game operation contracts entered into between the Target Group and distribution platforms for co-publishing or between the Target Group and game users for self-publishing, the Target Group owns the games’ copyrights and other intellectual property, and takes primary responsibilities of game development and game operation, including designing, development, and updating of the games including the game content, as well as the pricing of tokens and virtual items, providing on-going updates of new content and bug fixing, determining the distribution platforms and payment channels, and providing customer services. Therefore, the Target Group considers itself to be the principal in these contracts and views game users to be its customers. Revenues derived from self-developed games are recorded on a gross basis, and fees to be shared with distribution platforms and payment handling costs charged by payment platforms are recorded as cost of revenues.

Game users play games free of charge and are charged for purchases of virtual items mainly including consumable and perpetual items, which can be utilised to enhance users’ game-playing experience. Consumable items represent virtual items that can be consumed by a specific game user within a specified period of time. Perpetual items represent virtual items that are accessible to the game users’ account over the life of the online games. The Target Group does not maintain information on consumption details of virtual items, and only have limited information related to the frequency of log-ons. Given that a substantial of the virtual items purchased by the game users in self-developed games are perpetual items, the Target Group determined that it would be most appropriate to recognise over the estimated user relationship period with the Target Group, which is approximately one to two months for the periods presented.

The determination of user relationship period is based on the Target Group’s best estimate that takes into account all known and relevant information at the time of assessment. The Target Group assesses the estimated game user relationships on a quarterly basis. Any adjustments arising from changes in the game user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

2.22.2 Contract balances

Contract liabilities primarily consist of contract liabilities for unconsumed virtual currency and unamortised revenue from time-based virtual items in the Target Group's platforms, where there is still an obligation to be provided by the Target Group, which will be recognised as revenue when all of the revenue recognition criteria are met.

When either party to a customer contract has been performed, the Target Group presents the contract in the consolidated balance sheets as a trade receivable or contract liability, depending on the relationship between the Target Group's performance and the customer's payment. Contract balances include trade receivables and contract liabilities.

A receivable is recorded when the Target Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

Payment terms and conditions vary by contract and service type. A contract liability is the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration from the customer.

2.22.3 Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Target Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Target Group recognises such costs (payment handling charges) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Target Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2.22.4 Practical expedients and exemptions

The Target Group has elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less, as substantially all of the Target Group's contracts have duration of one year or less.

2.22.5 Financing components

The Target Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Target Group has applied the practical expedient of not to adjust any of the transaction prices for the time value of money.

2.23 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing:

- (a) the (loss)/profit attributable to equity holders of the Target Company, excluding any costs of servicing equity other than ordinary shares; and
- (b) by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

Diluted (loss)/earnings per share adjusts the figures used in the determination of basic (loss)/earnings per share to take into account:

- (a) the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- (b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Target Group.

Contracts may contain both lease and non-lease components. The Target Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Target Group under residual value guarantees;
- the exercise price of a purchase option if the Target Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Target Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Target Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Target Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Target Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Target Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Target Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Target Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of office furniture.

Lease income from operating leases where the Target Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 15). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature.

2.25 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Target Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Finance income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 10 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Target Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.27 Provisions (Continued)

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Target Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and security price risk), credit risk and liquidity risk. The Target Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group’s financial performance. Risk management is carried out by the senior management of the Target Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognised assets and liabilities denominated in a currency other than the functional currency of the Target Group’s subsidiaries. The Target Group manages its foreign exchange risk by minimising non-functional currency transactions.

The Target Group operates mainly in the PRC with most of the transactions settled in RMB. As at December 31, 2020, 2021 and 2022, and June 30, 2023, the Target Group was exposed to foreign exchange risk primarily with respect to the potential effects on profit or loss from translation of intercompany balances which are not denominated in the functional currency of the relevant group companies and US\$ forward contract which does not qualify for hedge accounting. RMB fluctuate against US\$ during the reporting period is the major reason for the exchange differences recognised by the Target Group. Further depreciation of RMB against US\$ will affect the Target Group’s financial position and results of operations.

Following table shows that, if US\$ had strengthened/weakened by 5% against RMB, with all other variables held constant, pre-tax loss/profit and other comprehensive loss/income for the reporting periods change. The changes in pre-tax loss/profit are mainly driven by foreign exchange gains/losses on translation of US\$ denominated amounts due to group companies whose functional currency is RMB. Additionally, the changes in other comprehensive loss/income are mainly driven by foreign exchange gains/losses on translation of US\$ denominated CPS and CRPS, both of which have the US\$ as their functional currency.

	For the years ended December 31,			Six months ended June 30,	
	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>
Pre-tax loss/profit (decrease)/increase					
US\$ strengthened by 5%	(6,423)	(40,324)	53,620	45,730	63,403
US\$ weakened by 5%	6,423	40,424	(53,620)	(45,730)	(63,403)

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	For the years ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Other comprehensive loss/income increase/(decrease)					
US\$ strengthened by 5%	38,169	(83,019)	(95,156)	(85,728)	(118,726)
US\$ weakened by 5%	(38,169)	83,019	95,156	85,728	118,726

(ii) Interest rate risk

Except for bank deposits at variable interest rate, fixed bank deposits, loan receivables and amounts due from related parties mainly carry an interest at fixed interest rate. The Target Group has no other significant interest-bearing assets.

The Target Group’s exposure to changes in interest rates is mainly attributable to its bank borrowings and convertible notes which are at fixed interest rate. The interest rate and terms of repayments of borrowings and convertible notes are disclosed in Note 29 and Note 32 respectively.

The Target Group has not hedged its cash flow and fair value interest rate risk.

The Target Group is exposed to fair value interest rate risk in respect of the convertible redeemable preferred shares and convertible preferred shares issued by the Target Company. The fair values of the convertible redeemable preferred shares and convertible preferred shares will fluctuate because of changes in market interest rates (refer to Note 33 and 34).

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rate because the interest rates of bank deposits, loan receivables and amounts due from related parties are not expected to change significantly.

(iii) Price risk

The Target Group is exposed to security price risk in respect of the financial assets measured at fair value through profit or loss. The Target Group is generally not exposed to commodity price risk. To manage its price risk arising from the investments, the Target Group diversifies its investment portfolio. The sensitivity analysis is performed by management as set out in Note 3.3.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash, fixed bank deposits, trade receivables, other receivables and amounts due from related parties. The carrying amount of these financial assets represents the Target Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

Trade and other receivables are managed on a group basis. The finance team is responsible for managing and analysing the credit risk for each new debtor before payment terms are offered. The Target Group assesses the credit quality of its customers and other debtors by taking into account various factors including their financial position, past operational and financial performance and other factors.

Cash and cash equivalents, restricted cash and fixed bank deposits are mainly placed with reputable PRC and international financial institutions within the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Trade receivables

The Target Group applies the IFRS 9 simplified approach to measuring expected credit losses under which the lifetime expected credit losses for trade receivables and unbilled receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating.

For trade receivables, the expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Target Group has identified the Gross Domestic Products (“GDP”) of the PRC to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Target Group makes periodic individual assessment on the recoverability of unbilled receivables based on the historical settlement records, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. As at June 30, 2023, loss allowance provided for unbilled receivables was approximately RMB4,040,000.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Target Group, and indicators of severe financial difficulty.

On that basis, the loss allowances of trade receivables as at December 31, 2020, 2021 and 2022 and June 30, 2023 were determined as follows:

As at December 31, 2020

	0 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Expected loss rate	0.63%	–	15.76%	–	16.63%	
Gross carrying amount (RMB’000)	19,563	–	1,640	–	255	21,458
Loss allowance provision (RMB’000)	123	–	259	–	42	424

As at December 31, 2021

	0 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Expected loss rate (<i>note a</i>)	0.21%	–	–	65.95%	81.31%	
Gross carrying amount (RMB’000)	36,592	–	–	185	2,890	39,667
Loss allowance provision (RMB’000)	76	–	–	122	2,350	2,548

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

As at December 31, 2022

	0 to 90 days (Note b)	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Expected loss rate	–	–	–	–	83.98%	
Gross carrying amount (RMB’000)	<u>34,283</u>	<u>529</u>	<u>2,850</u>	<u>200</u>	<u>2,641</u>	<u>40,503</u>
Loss allowance provision (RMB’000)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,218</u>	<u>2,218</u>

As at June 30, 2023

	0 to 90 days (Note b)	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Expected loss rate	–	–	8.16%	100%	100%	
Gross carrying amount (RMB’000)	<u>17,976</u>	<u>226</u>	<u>613</u>	<u>100</u>	<u>2,641</u>	<u>21,556</u>
Loss allowance provision (RMB’000)	<u>–</u>	<u>–</u>	<u>50</u>	<u>100</u>	<u>2,641</u>	<u>2,791</u>

Impairment losses on trade receivables are presented as “net impairment losses” within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

Note a: Significant increase in the expected loss rate of trade receivables for “Over 360 days” as at December 31, 2021 was primarily due to defaults from debtors in the Target Group’s game distribution business who faced significant financial difficulties. The Target Group had no material disputes with these debtors and does not have material trade/ongoing business relationship with any of these debtors since 2021.

Note b: While the trade receivables ranging from 0 to 360 days as at December 31, 2022 and from 0 from 180 days as at June 30, 2023 are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Loss allowance provided for other receivables as at December 31, 2020, 2021 and 2022 and June 30, 2023 were approximately RMB5,288,000, RMB14,209,000, RMB6,968,000 and RMB6,968,000 respectively.

The credit loss allowance as at December 31, 2021 mainly represented the impairment provision of overdue loan receivables, included both principal and interest receivables portion, from third parties. The management expected that such financial instruments are credit impaired and move to stage 3 in accordance with “three-stage” model under IFRS 9. The Target Group applied lifetime ECL, and balances were fully impaired as at December 31, 2021. During the year ended December 31, 2022, part of the fully impaired loan receivables were received, amounted to approximately of RMB7,241,000 and hence the provision was reversed accordingly.

Amounts due from related parties

Impairment on amounts due from related parties is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Loss allowance provided for amounts due from related parties as at December 31, 2020, 2021 and 2022 and June 30, 2023 were approximately RMB6,118,000, nil, nil and nil respectively.

Others

While cash and cash equivalents, restricted cash and bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Target Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Target Group is to regularly monitor the Target Group’s liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents, short-term bank deposits and investments in wealth management products or to retain adequate financing arrangements to meet the Target Group’s liquidity requirements.

The table below analyses the Target Group’s non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Target Group recognises the Convertible Redeemable Preferred Shares and Convertible Preferred Shares as financial liabilities at fair value through profit or loss, accordingly, the financial liabilities at fair value through profit or loss are managed on a fair value basis rather than by maturing dates and therefore disclosed at fair value in the following table.

	Less than 1 year or repayable on demand	Between 1 and 2 years	Between 2 and 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>
As at December 31, 2020					
Accounts payable	116,543	–	–	–	116,543
Other payables and accruals (excluding employee benefit and other taxes payable)	114,623	–	–	–	114,623
Lease liabilities	8,746	8,452	5,146	–	22,344
Borrowings (<i>Note a</i>)	128,809	–	–	–	128,809
Convertible redeemable preferred shares	–	–	746,193	–	746,193
Convertible preferred shares	–	–	314,726	–	314,726
Amounts due to related parties	35,234	–	–	–	35,234
Total	403,955	8,452	1,066,065	–	1,478,472
As at December 31, 2021					
Accounts payable	190,694	–	–	–	190,694
Other payables and accruals (excluding employee benefit and other taxes payable)	201,958	–	–	–	201,958
Lease liabilities	30,774	30,540	71,642	10,640	143,596
Convertible redeemable preferred shares	–	–	2,448,645	–	2,448,645
Convertible preferred shares	–	–	1,234,924	–	1,234,924
Total	423,426	30,540	3,755,211	10,640	4,219,817

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year or repayable on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at December 31, 2022					
Accounts payable	200,639	–	–	–	200,639
Other payables and accruals (excluding employee benefit and other taxes payable)	108,999	–	–	–	108,999
Lease liabilities	30,540	24,904	57,377	–	112,821
Convertible redeemable preferred shares	–	2,730,121	–	–	2,730,121
Convertible preferred shares	–	1,362,112	–	–	1,362,112
Total	340,178	4,117,137	57,377	–	4,514,692
As at June 30, 2023					
Accounts payable	168,757	–	–	–	168,757
Other payables and accruals (excluding employee benefit and other taxes payable)	107,388	–	–	–	107,388
Lease liabilities	34,098	23,259	45,700	–	103,057
Convertible redeemable preferred shares	617,536	2,314,950	–	–	2,932,486
Convertible preferred shares	–	1,500,243	–	–	1,500,243
Total	927,779	3,838,452	45,700	–	4,811,931

Note a: As at December 31, 2020, all borrowings were repayable within nine months and the effective annual interest rates ranged from 4.0% to 4.8%. Borrowing costs are expensed in the periods when they are incurred.

3.2 Capital management

The Target Group’s objectives when managing capital are to safeguard the Target Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders’ value in the long-term.

The Target Group monitors capital (including share capital, other reserves, convertible redeemable preferred shares and convertible preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Target Group considers the cost of capital and the risks associated with the issued share capital. The Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Target Company’s shares. In the opinion of the directors of the Target Company, the Target Group’s capital risk is low. As a result, capital risk is not significant for the Target Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Target Group.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses the Target Group’s financial instruments carried at fair value as at each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Target Group’s financial assets and liabilities that are measured at fair value at December 31, 2020:

	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
Assets				
Financial assets at fair value through profit or loss				
– Unlisted equity securities	–	–	6,136	6,136
	–	–	6,136	6,136
Liabilities				
Convertible redeemable preferred shares	–	–	746,193	746,193
Convertible preferred shares	–	–	314,726	314,726
	–	–	1,060,919	1,060,919

The following table represents the Target Group’s financial assets and liabilities that are measured at fair value at December 31, 2021:

	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
Assets				
Financial assets at fair value through profit or loss				
– Unlisted equity securities	–	–	10,525	10,525
– Wealth management products	–	200,224	–	200,224
Loan receivables with conversion options	–	–	1,000	1,000
	–	200,224	11,525	211,749
Liabilities				
Convertible redeemable preferred shares	–	–	2,448,645	2,448,645
Convertible preferred shares	–	–	1,234,924	1,234,924
	–	–	3,683,569	3,683,569

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Target Group’s financial assets and liabilities that are measured at fair value at December 31, 2022:

	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
Assets				
Financial assets at fair value through profit or loss				
– Unlisted equity securities	–	–	69,795	69,795
– Wealth management products	–	151,340	–	151,340
– Unlisted debt securities	–	–	206,757	206,757
	–	151,340	276,552	427,892
Liabilities				
Convertible redeemable preferred shares	–	–	2,730,121	2,730,121
Convertible preferred shares	–	–	1,362,112	1,362,112
	–	–	4,092,233	4,092,233

The following table presents the Target Group’s financial assets and liabilities that are measured at fair value at June 30, 2023:

	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
Assets				
Financial assets at fair value through profit or loss				
– Unlisted equity securities	–	–	94,478	94,478
– Wealth management products	–	134,889	–	134,889
– Unlisted debt securities	–	–	88,011	88,011
	–	134,889	182,489	317,378
Liabilities				
Convertible redeemable preferred shares	–	–	2,932,486	2,932,486
Convertible preferred shares	–	–	1,500,243	1,500,243
	–	–	4,432,729	4,432,729

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2. Level 2 instruments of Target Group’s assets and liabilities include short-term investments in wealth management products measured at fair value through profit or loss.

(b) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc..

Level 3 instruments of the Target Group’s assets and liabilities include long-term investments in unlisted entities measured at fair value through profit or loss, loan receivables with conversion options, unlisted debt securities, convertible redeemable preferred shares and convertible preferred shares.

The changes in level 3 instruments of convertible redeemable preferred shares and convertible preferred shares for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 are presented in Notes 33 and 34, respectively.

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023.

	Financial assets at fair value through profit or loss RMB’000
At January 1, 2020	2,074
Addition	5,000
Disposal	(2,020)
Change in fair value through profit or loss	1,082
At December 31, 2020	6,136
At January 1, 2021	6,136
Addition	1,000
Change in fair value through profit or loss	4,389
At December 31, 2021	11,525

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Financial instruments in level 3 (Continued)

	Financial assets at fair value through profit or loss RMB’000
At January 1, 2022	11,525
Addition	264,405
Disposal	(1,000)
Change in fair value through profit or loss	<u>1,622</u>
At December 31, 2022	<u>276,552</u>
(Unaudited)	
At January 1, 2022	11,525
Addition	13,423
Disposal	(1,000)
Change in fair value through profit or loss	<u>(4,817)</u>
At June 30, 2022	<u>19,131</u>
At January 1, 2023	276,552
Addition	111,828
Disposal	(225,663)
Change in fair value through profit or loss	<u>19,772</u>
At June 30, 2023	<u>182,489</u>
For the year ended December 31, 2020	
Changes in net unrealised gain, net	252
Changes in net realised gain, net	<u>830</u>
Total change in fair value through profit or loss	<u><u>1,082</u></u>
For the year ended December 31, 2021	
Changes in net unrealised gain, net	<u>4,389</u>
Total change in fair value through profit or loss	<u><u>4,389</u></u>
For the year ended December 31, 2022	
Changes in net unrealised gain, net	<u>1,622</u>
Total change in fair value through profit or loss	<u><u>1,622</u></u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Financial instruments in level 3 (Continued)

	Financial assets at fair value through profit or loss RMB’000
(Unaudited)	
For the six months ended June 30, 2022	
Changes in net unrealised loss, net	(4,817)
	<hr/>
Total change in fair value through profit or loss	(4,817)
	<hr/> <hr/>
For the six months ended June 30, 2023	
Changes in net unrealised gain, net	16,451
Changes in net realised gain, net	3,321
	<hr/>
Total change in fair value through profit or loss	19,772
	<hr/> <hr/>

The Target Group manages the valuation of the investments on a case-by-case basis. At least once every year, the Target Group would use valuation techniques to determine the fair value of its level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included convertible redeemable preferred shares (Note 33) and convertible preferred shares (Note 34) and long-term investments in unlisted companies measured at fair value through profit or loss (Note 19). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc. Major assumptions used in the valuation for preferred shares are presented in Notes 33 and 34.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Financial instruments in level 3 (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair Values				Significant unobservable inputs	Range of inputs			Relationship of unobservable inputs to fair values	
	As at December 31,					As at June 30,				
	2020	2021	2022	2023		2020	2021	2022		2023
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Unlisted equity securities	6,136	10,525	69,795	94,478	Expected volatility	52% – 56%	57% – 58%	54% – 69%	47.3% – 69%	The higher the expected volatility, the lower the fair value
					Discount for lack of marketability (“DLOM”)	35%	30% – 35%	35%	30% – 35%	The higher the DLOM, the lower the fair value
					Risk-free rate	3%	3%	2%	2%	The higher the risk-free rate, the lower the fair value
Unlisted debt securities	–	–	206,757	88,011	Expected rate of return	–	–	10%	10%	The higher the expected rate of return, the higher the fair value
					Discount rate	–	–	11.31%	10.07%	The higher the discount rate, the lower the fair value
Loan receivables with conversion options	–	1,000	–	–	Volatility	–	64.62%	–	–	The higher the volatility, the lower the fair value
					Risk-free rate	–	1.3%	–	–	The higher the risk-free rate, the lower the fair value
Preferred shares	1,060,919	3,683,569	4,092,233	4,432,729	Expected volatility	48% – 49%	55%	60%	60%	The Higher the expected volatility, the lower the fair value
					Discount for lack of marketability (“MLOM”)	20%	8%	20%	12%	The higher the DLOM, the lower the fair value
					Risk-free rate	3%	1%	5%	5%	The higher the risk-free rate, the lower the fair value

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Financial instruments in level 3 (Continued)

Description	Fair Values				Significant unobservable inputs	Range of inputs			Relationship of unobservable inputs to fair values	
	As at December 31,			As at June 30,		As at December 31,				As at June 30,
	2020	2021	2022	2023		2020	2021	2022		2023
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000		RMB'000
				Discount rate	16%	15%	15%	15%	The higher the discount rate, the lower the fair value	
				Probability of redemption	40%	20%	40%	30%	The higher the probability of redemption, the higher the fair value	
				Probability of liquidation (Applicable to convertible redeemable preferred shares only)	10%	10%	10%	10%	The higher the probability of liquidation, the lower the fair value	

Note: The returns on all of these convertible redeemable preferred shares, convertible preferred shares and long term investments measured at fair value through profit and loss in unlisted companies are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

The following table presents the change in fair values that affect the loss/profit before income tax for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 if the fair values of financial assets at fair value through profit or loss held by the Target Group had been 10% higher/lower.

% changes of fair values of financial assets at fair value through profit or loss	Increase/(decrease) in fair value				
	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
10% higher	614	21,175	42,789	5,353	31,738
10% lower	(614)	(21,175)	(42,789)	(5,353)	(31,738)

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Financial instruments in level 3 (Continued)

The following table presents the change in fair values that affect the loss/profit before income tax for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 if the Target Company’s equity value had increased/decreased by 10% with all other variables held constant which leads to the fair value changes on convertible redeemable preferred shares and convertible preferred shares.

% changes of the Target Company’s equity value	(Decrease)/increase in fair value				
	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Increased by 10%	(106,092)	(368,357)	(409,223)	(383,447)	(443,273)
Decreased by 10%	106,092	368,357	409,223	383,447	443,273

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023.

The carrying amounts of the Target Group’s other financial assets measured at amortised costs including cash and cash equivalents, restricted cash, fixed bank deposits, trade receivables, other receivables, amounts due from related parties and the Target Group’s financial liabilities, including accounts payable, other payables and accruals, borrowings, amounts due to related parties approximate their fair values due to their short maturities.

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management needs to exercise judgement in applying the Target Group’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are addressed below:

4.1 Revenue recognition

Determining whether the Target Group is acting as a principal or as an agent when third-party is involved in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Target Group’s role as a principal or agent, the Target Group considers factors to determine whether the Target Group controls the specified goods or service before it is transferred to the customer, including but not limited to, whether the Target Group: (a) is primarily responsible for fulfilling the contract, (b) is subject to inventory risk, and (c) has discretion in establishing prices. Refer to Note 2.22 for details.

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ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

4 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Measurement of share-based compensation expenses

The Target Group granted options to employees. The fair value of the options is determined by the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting periods. Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and third-party valuer (Note 27).

4.3 Estimation of the fair value of financial assets and financial liabilities

The fair value of financial instruments that is not traded in an active market is determined by using valuation techniques. The Target Group uses its judgement to select a variety of methods and make assumptions including credit risk, volatility and liquidity risks associated with the instruments at the end of each reporting period, which are subject to uncertainty and might materially differ from the actual results. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (Note 3.3).

The convertible redeemable preferred shares and convertible preferred shares issued by the Target Company are not traded in an active market, and the respective fair value is determined by using valuation techniques. The Target Group applied the discounted cash flow method to determine the underlying equity value of the Target Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares and convertible preferred shares. Key assumptions such as the discount rate, risk-free interest rate, lack of marketability discount and volatility, as well as the probability weight among the timing of the liquidation, redemption or listing event scenarios are based on the Target Group’s best estimates, which is disclosed in Notes 33 and 34.

4.4 Credit loss allowances for trade receivables, other receivables, amounts due from related parties and other financial assets

The expected credit loss of trade receivables, other receivables, amounts due from related parties and other financial assets are based on assumptions about risk of default and expected loss rates. The Target Group uses judgement in making these assumptions and selecting the inputs to calculate the loss allowances, based on the Target Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

4.5 Estimation of the useful lives of intangible assets

The Target Group has acquired Esports licenses and contracts, technology, brand and AVSP license that are expected to enhance its online game and online interaction platform business. The Target Group estimates the useful life of the Esports licenses, technology and brand were to be 10, 7 and 5 years respectively based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer, depending on technological innovations and competitor actions.

4.6 Business combinations

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Target Group determines discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected lives of assets, the forecasted life cycles and forecasted cash flows over that period. Although the Target Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

4 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

4.7 Estimation of goodwill impairment

The Target Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 17. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

4.8 Contractual arrangements

The Target Group conducts a substantial portion of the business through the operating entities in the PRC due to regulatory restrictions on the foreign ownership in the Target Group’s operating entities in the PRC. The Target Group does not have any equity interest in the operating entities. The Directors assessed whether or not the Target Group has control over the operating entities, has rights to variable returns from its involvement with the operating entities and has the ability to affect those returns through its power over the operating entities. After assessment, the Directors concluded that the Target Group has control over the operating entities as a result of the contractual agreements and accordingly the financial position and their operating results of the operating entities are included in the Target Group’s consolidated financial statements throughout the Track Record Period.

Nevertheless, the contractual agreements may not be as effective as direct legal ownership in providing the Target Group with direct control over the operating entities and uncertainties presented by the PRC legal system could impede the Target Group’s beneficiary rights of the results, assets and liabilities of the operating entities. Significant judgement is involved in determining whether the Target Group is able to control these entities through these contractual arrangements. The Directors, based on the advice of its legal counsel, consider that the contractual agreements among the operating entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

5 SEGMENT INFORMATION

The Target Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM which are the Executive Directors of the Target Company. As a result of this evaluation, the CODM considers that the Target Group’s operations are managed as a single segment. Accordingly, no segment information is presented.

The Target Company is domiciled in the Cayman Islands while the Target Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, substantially all of the non-current assets of the Target Group were located in the PRC.

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6 REVENUES

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Recognised over time					
– Value added services	24,821	117,938	124,251	57,899	89,513
– Games and others	58,340	26,114	17,236	9,611	7,415
Revenues at a point in time					
– Value added services	1,332,311	1,918,029	2,418,416	1,157,425	1,128,338
– Audio entertainment	63,621	520,849	803,731	424,632	375,457
– Games and others	14,327	47,662	38,356	9,922	26,745
	<u>1,493,420</u>	<u>2,630,592</u>	<u>3,401,990</u>	<u>1,659,489</u>	<u>1,627,468</u>

There is no concentration risk as no revenue from a single customer was more than 10% of the Target Group’s total revenues for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023.

7 OTHER GAINS, NET

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Net loss on disposal of property and equipment	(17)	(1,347)	(11)	(40)	(48)
Net (loss)/gain on disposal of intangible assets	(2,424)	(82)	33	33	(256)
Net gain on derecognition of assets of a disposal group classified as held-for-sale	–	–	–	–	4,217
Net loss on disposal of investments in associates and subsidiaries	(501)	(340)	–	–	–
Net fair value gains/(losses) on investment properties	680	710	(1,390)	(1,070)	80
Net fair value gains/(losses) on financial assets at fair value through profit or loss					
– Investments in unlisted entities	1,082	4,390	(5,136)	(4,817)	12,855
– Wealth management products	211	767	1,100	–	2,243
– Unlisted debt securities	–	–	6,757	–	6,917
– Forward contracts	–	1,264	–	–	–
– Loan receivables	(10,000)	–	–	–	–
Net foreign exchange gains	11,103	4,602	17,530	8,546	23,775
Government grants and value added tax subsidies	13,568	19,760	26,695	10,866	8,932
Others	(603)	4,501	1,380	(2,416)	4,382
	<u>13,099</u>	<u>34,225</u>	<u>46,958</u>	<u>11,102</u>	<u>63,097</u>

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8 EXPENSES BY NATURE

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Revenue sharing fees	432,586	922,324	1,296,596	632,143	608,929
Employee benefits expenses <i>(Note 9)</i>	324,959	709,497	716,363	333,911	361,092
Share-based compensation expenses					
– non-employee <i>(Note)</i>	–	23,963	–	–	–
Outsourcing expenses	31,697	27,570	75,949	26,689	44,938
Advertising and promotion expenses	522,017	855,915	351,825	216,421	149,258
Depreciation of property and equipment <i>(Note 14)</i>	4,178	7,493	12,065	5,879	6,531
Depreciation of right-of-use assets <i>(Note 15)</i>	7,329	22,693	29,004	14,744	14,018
Amortisation of intangible assets <i>(Note 17)</i>	24,696	39,869	49,433	24,646	25,768
Bandwidth costs	56,788	106,242	143,777	72,504	60,460
Payment handling costs	20,067	30,810	38,399	18,513	19,222
Listing expenses	–	33,636	12,692	–	4,475
Professional fees	19,279	25,233	13,696	3,977	7,487
Auditor’s remuneration					
– Audit services	–	–	–	–	–
– Non-audit services	113	1,216	–	–	–
Net impairment losses/(reversal of impairment losses) on financial assets	6,587	5,284	(5,114)	(7,684)	4,653
Others	38,101	66,459	66,185	32,701	39,816
	<u>1,488,397</u>	<u>2,878,204</u>	<u>2,800,870</u>	<u>1,374,444</u>	<u>1,346,647</u>

Note: During the year ended December 31, 2021, the Target Group re-designated 2,828,336 ordinary shares sold by Funplus (BVI) Limited, which was wholly owned by Mr. Song Ke, to a Series C preferred shareholder of the Target Company. The fair value difference between transaction price and preferred shares mentioned above of approximately RMB23,963,000 was recognised as non-employee share-based compensation.

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9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTOR’S EMOLUMENTS)

	Year ended December 31,			Six months ended June 30,	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000	2023 RMB’000
Wages, salaries and bonuses	195,881	486,073	532,432	251,276	251,068
Share-based compensation expenses (Note 27)	108,222	143,249	67,153	34,722	51,516
Other social security costs, housing benefits and other employee benefits (Note)	20,856	80,175	116,778	47,913	58,508
	<u>324,959</u>	<u>709,497</u>	<u>716,363</u>	<u>333,911</u>	<u>361,092</u>

Note: No forfeited contributions were available and utilised by the Target Group to reduce its future pension contributions for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group include 3, 3, 2, 0 and 0 directors for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 respectively, whose emoluments are reflected in Note 9b. The emoluments payable to the remaining 2, 2, 3, 5 and 5 non-director highest paid individuals for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000	2023 RMB’000
Wages, salaries and bonuses	2,013	4,287	5,023	8,297	7,078
Share-based compensation expenses	–	24,065	16,219	–	35,092
Other social security costs, housing benefits and other employee benefits	94	171	299	107	75
	<u>2,107</u>	<u>28,523</u>	<u>21,541</u>	<u>8,404</u>	<u>42,245</u>

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTOR’S EMOLUMENTS) (CONTINUED)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals			Six months ended	
	Year ended December 31, 2020	2021	2022	June 30, 2022	2023
				<i>(Unaudited)</i>	
HK\$1,000,000 to HK\$1,500,000 (equivalent to approximately RMB833,100 to RMB1,249,650)	2	–	–	–	–
HK\$1,500,000 to HK\$2,000,000 (equivalent to approximately RMB1,249,650 to RMB1,666,200)	–	–	–	3	2
HK\$2,000,000 to HK\$2,500,000 (equivalent to approximately RMB1,666,200 to RMB2,082,751)	–	–	–	2	2
HK\$2,500,000 to HK\$3,000,000 (equivalent to approximately RMB2,082,751 to RMB2,499,301)	–	–	1	–	–
HK\$5,000,000 to HK\$5,500,000 (equivalent to approximately RMB4,165,501 to RMB4,582,051)	–	–	1	–	–
HK\$8,500,000 to HK\$9,000,000 (equivalent to approximately RMB7,081,352 to RMB7,497,902)	–	1	–	–	–
HK\$18,000,000 to HK\$18,500,000 (equivalent to approximately RMB14,995,804 to RMB15,412,354)	–	–	1	–	–
HK\$25,000,000 to HK\$25,500,000 (equivalent to approximately RMB20,827,505 to RMB21,244,055)	–	1	–	–	–
HK\$40,000,000 to HK\$40,500,000 (equivalent to approximately RMB33,324,000 to RMB33,740,550)	–	–	–	–	1
	<u>2</u>	<u>2</u>	<u>3</u>	<u>5</u>	<u>5</u>

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTOR’S EMOLUMENTS) (CONTINUED)

(b) Benefits and interests of directors

The remuneration shown below represents remuneration from the Target Group received by these directors on their capacity as employees of the Target Group and/or in their capacity as directors of the companies now comprising the Target Group. The remuneration of each director and the chief executive is set out as follows:

For the year ended December 31, 2020:

Name	Wages, salaries and bonuses RMB’000	Share-based compensation expenses RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Total RMB’000
Chairman				
Song Ke (<i>Note vi</i>)	35,865	21,762	68	57,695
Executive directors				
Chen Guangyao (<i>Note vii</i>)	1,220	16,124	68	17,412
Du Guo (<i>Note viii</i>)	1,200	23,514	68	24,782
Non-executive directors				
Li Jie (<i>Note ix</i>)	–	–	–	–
Wang Huadong (<i>Note x</i>)	–	–	–	–
Total	38,285	61,400	204	99,889

For the year ended December 31, 2021:

Name	Wages, salaries and bonuses RMB’000	Share-based compensation expenses RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Total RMB’000
Chairman				
Song Ke (<i>Note vi</i>)	140,358	8,940	91	149,389
Executive directors				
Chen Guangyao (<i>Note vii</i>)	1,822	–	91	1,913
Du Guo (<i>Note viii</i>)	2,122	–	91	2,213
Non-executive directors				
Li Jie (<i>Note ix</i>)	–	–	–	–
Wang Huadong (<i>Note x</i>)	–	–	–	–
Total	144,302	8,940	273	153,515

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9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTOR’S EMOLUMENTS) (CONTINUED)

(b) Benefits and interests of directors (Continued)

For the year ended December 31, 2022:

Name	Wages, salaries and bonuses RMB’000	Share-based compensation expenses RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Total RMB’000
Chairman				
Song Ke (<i>Note vi</i>)	1,655	44,702	100	46,457
Executive directors				
Chen Guangyao (<i>Note vii</i>)	2,140	–	100	2,240
Du Guo (<i>Note viii</i>)	1,655	–	100	1,755
Non-executive directors				
Wang Huadong (<i>Note x</i>)	–	–	–	–
Total	5,450	44,702	300	50,452

For the six months ended June 30, 2022 (Unaudited):

Name	Wages, salaries and bonuses RMB’000	Share-based compensation expenses RMB’000	Other social security costs, housing benefits and other employee benefits RMB’000	Total RMB’000
Chairman				
Song Ke (<i>Note vi</i>)	606	16,930	48	17,584
Executive directors				
Chen Guangyao (<i>Note vii</i>)	606	–	48	654
Du Guo (<i>Note viii</i>)	606	–	48	654
Non-executive directors				
Wang Huadong (<i>Note x</i>)	–	–	–	–
Total	1,818	16,930	144	18,892

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTOR’S EMOLUMENTS) (CONTINUED)

(b) Benefits and interests of directors (Continued)

For the six months ended June 30, 2023:

Name	Wages, salaries and bonuses <i>RMB’000</i>	Share-based compensation expenses <i>RMB’000</i>	Other social security costs, housing benefits and other employee benefits <i>RMB’000</i>	Total <i>RMB’000</i>
Chairman				
Song Ke (<i>Note vi</i>)	726	–	52	778
Executive directors				
Chen Guangyao (<i>Note vii</i>)	727	–	52	779
Du Guo (<i>Note viii</i>)	726	–	52	778
Non-executive directors				
Wang Huadong (<i>Note x</i>)	–	–	–	–
	_____	_____	_____	_____
Total	<u>2,179</u>	<u>–</u>	<u>156</u>	<u>2,335</u>

(i) Benefits and interests of directors

Except for the directors disclosed above, there were no other benefits and interests offered to the other directors.

(ii) Directors’ termination benefits

No director’s termination benefit subsisted at the end of the Track Record Period or at any time during the Track Record Period.

(iii) Consideration provided to third parties for making available directors’ services

No consideration provided to third parties for making available director’s services subsisted at the end of the Track Record Period or at any time during the Track Record Period.

(iv) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

During the Track Record Period, the Target Group granted several loans to certain directors and their affiliates. Please see Note 38(d) for details.

Except for the above loans, no other loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the Track Record Period or at any time during the Track Record Period.

(v) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Target Group’s business to which the Target Company was a party and in which a director of the Target Company had a material interest whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTOR’S EMOLUMENTS) (CONTINUED)

(b) Benefits and interests of directors (Continued)

(vi) Mr. Song Ke is also the Chief Executive Officer of the Target Group.

(vii) Mr. Chen Guangyao is also the Senior Vice President of the Target Group.

(viii) Mr. Du Guo was the Vice President of the Target Group before nominated as a director of the Target Company. He resigned as the executive director of the Target Company with effect from September 7, 2023. On the same day, Mr. Lyu Shaoyu, the Chief Financial Officer (CFO) of the Target Group, was appointed as executive director of the Target Company.

(ix) Li Jie resigned as the non-executive director of the Target Company with effect from May 9, 2021.

(x) Wang Huadong resigned as the non-executive director of the Target Company with effect from June 9, 2023.

10 FINANCE INCOME, NET

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30,	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Finance income:					
Interest income from bank deposits	1,355	3,632	15,835	4,303	17,526
Interest income from loan receivables	297	810	110	55	–
Interest income from loans to related parties <i>(Note 38(b)(vi))</i>	6,868	2,461	–	–	–
Finance income in the net-investment in lease	–	14	39	23	9
	<u>8,520</u>	<u>6,917</u>	<u>15,984</u>	<u>4,381</u>	<u>17,535</u>
Finance costs:					
Interest expense from lease liabilities	(984)	(3,723)	(4,816)	(2,553)	(2,008)
Interest expense from bank and other borrowings	(3,233)	(1,495)	(618)	(306)	(387)
	<u>(4,217)</u>	<u>(5,218)</u>	<u>(5,434)</u>	<u>(2,859)</u>	<u>(2,395)</u>
Finance income, net	<u><u>4,303</u></u>	<u><u>1,699</u></u>	<u><u>10,550</u></u>	<u><u>1,522</u></u>	<u><u>15,140</u></u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11 INVESTMENTS IN ASSOCIATES

The carrying amounts recognised in the consolidated balance sheets are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Associates	8,724	46,734	42,847	47,352

The amounts recognised in the consolidated income statements are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Shares of losses from associates	(831)	(7,464)	(3,887)	(2,008)	(2,752)

Set out below is the summary of the associates of the Target Group. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Target Group. The country and the principal place of business is in the PRC, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Nature of business	% of ownership interest			
		As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
		%	%	%	%
Wenzhou Fengshang Network Technology Ltd (“Wenzhou Fengshang”) (Note i)	Operates in introduction and promotion of online services via online chatting platforms	19.5	19.5	19.5	19.5
Guangzhou Yiyou Network Technology Ltd (“Guangzhou Yiyou”) (Note v)	Operates in introduction and promotion of online services via online chatting platforms	30.0	–	–	–
Guangzhou Huanma Network Technology Ltd (“Guangzhou Huanma”) (Note vi)	Operates in introduction and promotion of online services via online chatting platforms	49.0	–	–	–
Guangzhou Huanyu Mobile Technology Ltd (“Guangzhou Huanyu”) (Note ii, vii)	Operates in game designing industry	10.0	–	–	–
Beijing Youqu Future Network Technology Ltd (“Beijing Youqu”) (Note iii)	Operates in game designing industry	15.0	45.0	45.0	45.0
Guangzhou Xinyan Information Technology Ltd (“Guangzhou Xinyan”) (Note iv)	Operates in digital cultural creative software development	–	16.7	16.7	16.7

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11 INVESTMENTS IN ASSOCIATES (CONTINUED)

Name of entity	Nature of business	% of ownership interest			As at June 30, 2023
		As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	
		%	%	%	%
Beijing Meihao Interactive Entertainment Technology Ltd (“Beijing Meihao”) (Note viii)	Operates in computer system service industry	–	30.0	30.0	30.0
Potent Network Group Limited (“Potent Network”) (Note ix)	Operates in support services for social entertainment enterprise	–	–	–	30.0

Notes:

- (i) The Target Group had the right to appoint two out of five directors on the board of directors of Wenzhou Fengshang, which allowed the Target Group to exercise significant influence over Wenzhou Fengshang.
- (ii) The Target Group had the right to appoint one out of four directors on the board of directors of Guangzhou Huanyu, which allowed the Target Group to exercise significant influence over Guangzhou Huanyu.
- (iii) The Target Group has the right to appoint one out of three directors on the board of directors of Beijing Youqu, which allows the Target Group to exercise significant influence over Beijing Youqu. During the year ended December 31, 2021, the Target Group has made an additional investment of RMB10,000,000 into Beijing Youqu for an additional 30% equity interests in Beijing Youqu.
- (iv) The Target Group has the right to appoint one out of three directors on the board of directors of Guangzhou Xinyan, which allows the Target Group to exercise significant influence over Guangzhou Xinyan.
- (v) On March 10, 2021, the Target Group disposed of all its equity interests in Guangzhou Yiyou. Disposal loss of approximately RMB3,339,000 was recognised under other (losses)/gains, net during the year ended December 31, 2021.
- (vi) On February 24, 2021, the Target Group disposed of all its equity interests in Guangzhou Huanma. Disposal loss of approximately RMB276,000 was recognised under other (losses)/gains, net during the year ended December 31, 2021.
- (vii) On June 30, 2021, the Target Group disposed of all its equity interests in Guangzhou Huanyu. Disposal gain of RMB1 was recognised under other (losses)/gains, net during the year ended December 31, 2021.
- (viii) The Target Group has the right to appoint one out of three directors on the board of directors of Beijing Meihao, which allowed the Target Group to exercise significant influence over Beijing Meihao.
- (ix) The Target Group has the right to appoint one out of three directors on the board of directors of Potent Network, which allowed the Target Group to exercise significant influence over Potent Network.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11 INVESTMENTS IN ASSOCIATES (CONTINUED)

Movement on the Target Group’s investment in associates during the Track Record Period was as follows:

	Year ended December 31,			Six months ended June 30,	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 (Unaudited)	2023 RMB’000
At beginning of the year/period	5,056	8,724	46,734	46,734	42,847
Additions	5,000	50,000	–	–	7,257
Disposal	(501)	–	–	–	–
Impairment	–	(4,526)	–	–	–
Share of losses, net	(831)	(7,464)	(3,887)	(2,008)	(2,752)
At end of the year/period	<u>8,724</u>	<u>46,734</u>	<u>42,847</u>	<u>44,726</u>	<u>47,352</u>

Investments in individually immaterial associates

The Target Group holds interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at December 31,			As at
	2020 RMB’000	2021 RMB’000	2022 RMB’000	June 30, 2023 RMB’000
Aggregate carrying amount of individually immaterial associates	<u>8,724</u>	<u>46,734</u>	<u>42,847</u>	<u>47,352</u>
Aggregate amounts of the Target Group’s share of net losses:	<u>(831)</u>	<u>(7,464)</u>	<u>(3,887)</u>	<u>(2,752)</u>
Total comprehensive losses	<u>(831)</u>	<u>(7,464)</u>	<u>(3,887)</u>	<u>(2,752)</u>

12 INCOME TAX EXPENSES

(a) Cayman Islands

The Target Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Target Company.

(b) Hong Kong Profits Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

APPENDIX I

ACCOUNTANT’S REPORT OF THE TARGET GROUP

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

12 INCOME TAX EXPENSES (CONTINUED)

(c) PRC Enterprise Income Tax (“EIT”)

The PRC Enterprise Income Tax Law (“EIT Law”), which became effective January 1, 2008, applies an uniform enterprise income tax (“EIT”) rate of 25% to both foreign-invested enterprises with management in the PRC (“FIEs”) and domestic enterprises.

Certain subsidiaries qualified as “Software Enterprise” in 2018 and 2022 had enjoyed the preferential income tax rate of 0% to 12.5% for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023. Additionally, certain subsidiaries qualified as “High and New Technology Enterprise” in 2021 and 2023 had enjoyed the preferential income tax rate of 15% for the years ended December 31, 2022 and six months ended June 30, 2022 and 2023.

According to the relevant laws and regulations promulgated by the State Council of the People’s Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 50-75% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of The People’s Republic of China (“STA”) further announced in March 2021 that enterprises engaging in research and development activities would entitle to claim 75-100% of their research and development expenses as Super Deduction until December 2023. The STA announced in September 2022 to increase the Super Deduction rate to 100% of their research and development expenses from October 1, 2022 to December 31, 2022. The STA further announced in March 2023 to extend the entitlement of Super Deduction on their research and development expenses from January 1, 2023. The Target Group has made its best estimate for the Super Deduction to be claimed for the Target Group’s entities in ascertaining their assessable profits during the period. Guangzhou Quwan and some of its PRC subsidiaries are qualified to enjoy the additional tax deduction for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023.

Under the EIT Law enacted by the National People’s Congress of the PRC, dividends generated after January 1, 2008 and payable by a foreign investment enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the “beneficial owner” and directly holds 25% or more of the equity interest in a PRC resident enterprise is entitled to a reduced withholding tax rate of 5%. The Cayman Islands, where the Target Company was incorporated, does not have a tax treaty with the PRC.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Target Group does not believe that it is likely that its operations outside of the PRC will be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, there is uncertainty as to the application of the EIT Law. Should the Target Company be treated as a resident enterprise for PRC tax purposes, the Target Company will be subject to PRC income tax on worldwide income at a uniform tax rate of 25%.

(d) Singapore Income Tax

Under the Singapore Income Tax Act, subsidiaries of the Target Group operating in Singapore are subject to 17% corporate tax on their taxable income generated from operations in Singapore. Additionally, payments of dividends by the subsidiaries incorporated in Singapore to the Target Company are not subject to any Singapore withholding tax. No provision for Singapore Income Tax was made as we had no estimated assessable profit that was subject to Singapore Income Tax during the Track Record Period.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

12 INCOME TAX EXPENSES (CONTINUED)

(d) Singapore Income Tax (Continued)

The income tax expenses of the Target Group during the Track Record Period are analysed as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Current income tax	(14,528)	(16,644)	(67,910)	(37,445)	(21,609)
Deferred income tax (<i>Note 31</i>)	1,649	6,003	(785)	(2,491)	612
Income tax expenses	<u>(12,879)</u>	<u>(10,641)</u>	<u>(68,695)</u>	<u>(39,936)</u>	<u>(20,997)</u>

The tax on the Target Group’s (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
(Loss)/profit before income tax	(141,130)	(2,484,904)	577,948	329,379	201,593
Tax calculated at statutory income tax rate of 25% in mainland China	(35,283)	(621,226)	144,487	82,345	50,398
Tax effects of:					
– Preferential income tax rates applicable to subsidiaries	(22,177)	(33,387)	(92,329)	(53,321)	(50,679)
– Different tax rates in other jurisdictions	65	13,045	21,540	5,617	3,933
– Income not subject to tax	(574)	(1,605)	(680)	–	(1,696)
– Expenses not deductible for tax purposes (<i>Note i</i>)	81,592	626,695	13,830	8,421	37,803
– Tax losses which no deferred tax asset was recognised	5,450	51,370	35,755	19,329	15,538
– Super deduction for research and development expenses	(16,194)	(24,251)	(53,908)	(22,455)	(34,300)
	<u>12,879</u>	<u>10,641</u>	<u>68,695</u>	<u>39,936</u>	<u>20,997</u>

Note i: Expenses not deductible for income tax purposes were mainly related to share-based compensation expenses and fair value loss of convertible redeemable preferred shares and convertible preferred shares.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 are calculated by dividing the (loss)/profit attributable to the Target Company’s equity holders by the weighted average number of ordinary shares in issue during the respective financial years.

	Year ended December 31,			Six months ended June 30,	
	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>
				<i>(Unaudited)</i>	
Numerator:					
(Loss)/profit attributable to equity holders of the Target Company	(152,247)	(2,492,162)	511,906	291,068	181,135
Denominator:					
Weighted average number of ordinary shares in issue (basic)	76,075,189	68,833,436	71,637,017	70,687,803	72,390,249
Basic (loss)/earnings per share (expressed in RMB per share)	(2.00)	(36.21)	7.15	4.12	2.50

For the purpose of computing basic and diluted (loss)/profit per ordinary share, ordinary shares issued upon completion of Reorganisation, vested share options with minimal exercise price were assumed to have been issued and allocated on January 1, 2020 and the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, respectively.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the Track Record Period, the Target Company had three categories of potential ordinary shares: preferred shares (Notes 33 and 34) and share options granted under 2015 PRC Incentive Plan and 2020 Global Employee Incentive Plan (Note 27). As the Target Company incurred losses for the years ended December 31, 2020 and 2021, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the amounts of diluted loss per share for the years ended December 31, 2020 and 2021 were the same as basic loss per share of the respective year.

For the year ended December 31, 2022 and six months ended June 30, 2022 and 2023, the exercise of the preferred shares and share options would have a dilutive effect. The exercise of the preferred shares and share options would be dilutive if the net profit attributable to the owners of the Target Company will decrease. A calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options and the effect of dilutive potential ordinary shares on preferred shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the preferred shares and the exercise of share options.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

13 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (loss)/earnings per share (Continued)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Numerator:					
(Loss)/profit attributable to equity holders of the Target Company	(152,247)	(2,492,162)	511,906	291,068	181,135
Dilution effect arising from conversion of convertible redeemable & convertible preferred shares	—	—	76,793	(62,236)	18,233
	<u>(152,247)</u>	<u>(2,492,162)</u>	<u>588,699</u>	<u>228,832</u>	<u>199,368</u>
(Loss)/profit attributable to equity holders of the Target Company for the calculation of diluted earnings per share					
	<u>(152,247)</u>	<u>(2,492,162)</u>	<u>588,699</u>	<u>228,832</u>	<u>199,368</u>
Denominator:					
Weighted average number of ordinary shares in issue (diluted)	76,075,189	68,833,436	155,705,920	145,834,084	104,436,202
Diluted (loss)/earnings per share (expressed in RMB per share)	<u>(2.00)</u>	<u>(36.21)</u>	<u>3.78</u>	<u>1.57</u>	<u>1.91</u>

(c) Weighted average number of shares used as the denominator

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	76,075,189	68,833,436	71,637,017	70,687,803	72,390,249
Adjustments for calculation of diluted earnings per share:					
Convertible redeemable preferred shares	—	—	51,207,346	41,576,324	27,820,664
Convertible preferred shares	—	—	28,163,933	28,163,933	—
Share options	—	—	4,697,624	5,406,024	4,225,289
	<u>76,075,189</u>	<u>68,833,436</u>	<u>155,705,920</u>	<u>145,834,084</u>	<u>104,436,202</u>

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14 PROPERTY AND EQUIPMENT

The detailed information of property and equipment during Track Record Period is as follows:

	Buildings <i>RMB'000</i>	Servers, computers and electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Office and transportation equipment <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2020					
Cost	14,205	6,970	7,954	1,864	30,993
Accumulated depreciation	(225)	(1,839)	(2,494)	(809)	(5,367)
Net book amount	13,980	5,131	5,460	1,055	25,626
Year ended December 31, 2020					
Opening net book amount	13,980	5,131	5,460	1,055	25,626
Additions	–	5,878	1,576	3,410	10,864
Disposal	–	(269)	–	(2)	(271)
Depreciation charge	(450)	(1,845)	(1,647)	(236)	(4,178)
Closing net book amount	13,530	8,895	5,389	4,227	32,041
At December 31, 2020					
Cost	14,205	12,396	8,730	5,272	40,603
Accumulated depreciation	(675)	(3,501)	(3,341)	(1,045)	(8,562)
Net book amount	13,530	8,895	5,389	4,227	32,041
Year ended December 31, 2021					
Opening net book amount	13,530	8,895	5,389	4,227	32,041
Additions	–	12,470	19,866	1,903	34,239
Disposal	–	(1,332)	–	(3)	(1,335)
Write-off	–	–	(2,538)	–	(2,538)
Depreciation charge	(450)	(2,948)	(2,921)	(1,174)	(7,493)
Closing net book amount	13,080	17,085	19,796	4,953	54,914

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings <i>RMB’000</i>	Servers, computers and electronic equipment <i>RMB’000</i>	Leasehold improvements <i>RMB’000</i>	Office and transportation equipment <i>RMB’000</i>	Total <i>RMB’000</i>
At December 31, 2021					
Cost	14,205	23,231	26,058	7,138	70,632
Accumulated depreciation	(1,125)	(6,146)	(6,262)	(2,185)	(15,718)
Net book amount	13,080	17,085	19,796	4,953	54,914
Year ended December 31, 2022					
Opening net book amount	13,080	17,085	19,796	4,953	54,914
Additions	–	5,980	1,504	1,414	8,898
Business combination (<i>Note 35(b)</i>)	–	–	–	87	87
Disposal	–	(959)	–	(10)	(969)
Write-off	–	(30)	–	–	(30)
Depreciation charge	(450)	(4,558)	(5,600)	(1,457)	(12,065)
Closing net book amount	12,630	17,518	15,700	4,987	50,835
At December 31, 2022					
Cost	14,205	26,790	27,562	8,626	77,183
Accumulated depreciation	(1,575)	(9,272)	(11,862)	(3,639)	(26,348)
Net book amount	12,630	17,518	15,700	4,987	50,835
(Unaudited)					
Six months ended June 30, 2022					
Opening net book amount	13,080	17,085	19,796	4,953	54,914
Additions	–	3,121	1,504	1,414	6,039
Business combination (<i>Note 35(b)</i>)	–	–	–	87	87
Disposal	–	(245)	–	(10)	(255)
Write-off	–	(12)	–	–	(12)
Depreciation charge	(225)	(2,184)	(2,788)	(682)	(5,879)
Closing net book amount	12,855	17,765	18,512	5,762	54,894
At June 30, 2022					
Cost	14,205	24,855	27,562	8,626	75,248
Accumulated depreciation	(1,350)	(7,090)	(9,050)	(2,864)	(20,354)
Net book amount	12,855	17,765	18,512	5,762	54,894

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings <i>RMB'000</i>	Servers, computers and electronic equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Office and transportation equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended June 30, 2023					
Opening net book amount	12,630	17,518	15,700	4,987	50,835
Additions	–	1,098	37	–	1,135
Disposal	–	(232)	–	–	(232)
Depreciation charge	(225)	(2,476)	(3,078)	(752)	(6,531)
Closing net book amount	12,405	15,908	12,659	4,235	45,207
At June 30, 2023					
Cost	14,205	27,317	27,599	8,626	77,747
Accumulated depreciation	(1,800)	(11,409)	(14,940)	(4,391)	(32,540)
Net book amount	12,405	15,908	12,659	4,235	45,207

Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Selling and marketing expenses	512	785	1,153	522	538
Administrative expenses	3,244	5,869	9,004	4,512	5,098
Research and development expenses	422	839	1,908	845	895
	4,178	7,493	12,065	5,879	6,531

15 LEASE

(a) Items recognised in the consolidated balance sheets

This note provides information for leases where the Target Group is a lessee.

The Target Group’s right-of-use assets and lease liabilities mainly arise from leases of office buildings with lease terms of one to six years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Extension and termination options are included in a number of property leases across the Target Group. The majority of extension and termination options held are exercisable only by the Target Group and not by the respective lessor.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

15 LEASE (CONTINUED)

(a) Items recognised in the consolidated balance sheets (Continued)

The consolidated balance sheets show the following amounts relating to leases:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Right-of-use assets				
Office buildings	18,489	124,159	95,155	81,137

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Lease liabilities				
Current	8,048	25,958	26,811	32,972
Non-current	13,145	103,659	76,849	57,217
	21,193	129,617	103,660	90,189

Additions to the right-of-use assets for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 were approximately RMB4,852,000, RMB138,599,000, nil, nil and nil respectively.

(b) Items recognised in the consolidated income statements

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation charge of					
right-of-use assets	7,329	22,693	29,004	14,744	14,018
Interest expense	984	3,723	4,816	2,553	2,008
Expense relating to short-term					
leases not included in lease					
liabilities (included in cost of					
revenues, selling and					
marketing expenses,					
administrative expenses and					
research and development					
expenses)	2,356	2,863	5,636	3,007	2,205
	10,669	29,279	39,456	20,304	18,231

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

15 LEASE (CONTINUED)

(b) Items recognised in the consolidated income statements (Continued)

The total cash outflow in financing activities for leases during the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Principal elements of lease payments	6,719	18,911	25,957	13,998	13,471
Related interest paid	984	3,723	4,816	2,553	2,008
	<u>7,703</u>	<u>22,634</u>	<u>30,773</u>	<u>16,551</u>	<u>15,479</u>

16 INVESTMENT PROPERTIES

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	14,620	15,300	16,010	14,620
Fair value gain/(loss)	680	710	(1,390)	80
End of the year/period	<u>15,300</u>	<u>16,010</u>	<u>14,620</u>	<u>14,700</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the fair values of the investment properties were measured at level 3 of fair value hierarchy using significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the Track Record Period.

(i) Amounts recognised in the consolidated income statements for investment properties

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Rental income from operating leases recognised in other gains, net	938	1,190	1,253	626	612
Direct operating expenses from property that generated rental income	(610)	(619)	(618)	(309)	(309)
Fair value gains/(losses) recognised in other gains, net	680	710	(1,390)	(1,070)	80
	<u>1,008</u>	<u>1,281</u>	<u>(755)</u>	<u>(753)</u>	<u>383</u>

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16 INVESTMENT PROPERTIES (CONTINUED)

(ii) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no other variable lease payments. To reduce credit risk, the Target Group normally retains rental deposits from the lessees. Although the Target Group is exposed to changes in the residual value at the end of the current leases, the Target Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	Year ended December 31,			Six months ended
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 1 year	998	767	1,168	1,409
Between 1 and 2 years	767	–	1,222	996
Between 2 and 3 years	–	–	1,015	938
	<u>1,765</u>	<u>767</u>	<u>3,405</u>	<u>3,343</u>

Valuation processes of the Target Group

The Target Group’s investment property was valued at December 31, 2020, 2021 and 2022 and June 30, 2023 by an independent professionally qualified valuer who holds a recognised relevant professional qualification. The Target Group’s finance department reviews the valuation performed by the independent valuer for financial reporting purposes. This team reports directly to the CFO. Discussions of valuation processes and results are held among the CFO, the finance team and the valuer. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the fair value of the property has been determined by Avista Valuation Advisory Limited.

Valuation techniques

Fair value of the investment property is derived by using the term and reversion method with significant unobservable inputs (level 3). Term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

There were no changes to the valuation techniques during the Track Record Period.

Information about fair value measurement using significant unobservable inputs

Term yield and reversionary yield are estimated by Avista Valuation Advisory Limited based on return of property being valued. A significant increase/(decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

At December 31, 2020, 2021 and 2022 and June 30, 2023, term yield and the reversionary yield of 5.1% and 5.6% are used in the valuation. Both term yield and reversionary yield are stable throughout the Track Record Period due to there is no material change regarding the market yield in the locality of the subject properties.

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17 INTANGIBLE ASSETS

The detailed information of intangible assets during Track Record Period is as follows:

	Goodwill RMB'000	Acquired technology RMB'000	Acquired brand name RMB'000	Esports players' rights (Note iii) RMB'000	Esports licenses and contracts RMB'000	Online game licenses RMB'000	AVSP license (Note ii) RMB'000	Others RMB'000	Total RMB'000
At January 1, 2020									
Cost	-	-	-	-	41,873	16,995	-	4,049	62,917
Accumulated amortisation	-	-	-	-	-	(9,904)	-	(3,218)	(13,122)
Net book amount	-	-	-	-	41,873	7,091	-	831	49,795
Year ended December 31, 2020									
Opening net book amount	-	-	-	-	41,873	7,091	-	831	49,795
Additions (Note i)	-	-	-	19,976	198,113	3,774	-	857	222,720
Disposals	-	-	-	(4,343)	-	-	-	(100)	(4,443)
Amortisation charge	-	-	-	(2,868)	(15,744)	(5,603)	-	(481)	(24,696)
Closing net book amount	-	-	-	12,765	224,242	5,262	-	1,107	243,376
At December 31, 2020									
Cost	-	-	-	14,343	239,986	20,769	-	1,475	276,573
Accumulated amortisation	-	-	-	(1,578)	(15,744)	(15,507)	-	(368)	(33,197)
Net book amount	-	-	-	12,765	224,242	5,262	-	1,107	243,376

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17 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RMB'000	Acquired technology RMB'000	Acquired brand name RMB'000	Esports players' rights (Note iii) RMB'000	Esports licenses and contracts RMB'000	Online game licenses RMB'000	AVSP license (Note ii) RMB'000	Others RMB'000	Total RMB'000
Year ended December 31, 2021									
Opening net book amount	–	–	–	12,765	224,242	5,262	–	1,107	243,376
Additions	–	–	–	34,567	–	1,403	46,634	3,751	86,355
Acquisition of subsidiary (Note 35(a))	44,790	20,937	7,590	–	–	–	–	–	73,317
Disposals	–	–	–	(5,864)	–	(943)	–	(483)	(7,290)
Amortisation charge	–	(2,243)	(1,139)	(6,252)	(23,999)	(3,923)	(1,166)	(1,147)	(39,869)
Closing net book amount	44,790	18,694	6,451	35,216	200,243	1,799	45,468	3,228	355,889
At December 31, 2021									
Cost	44,790	20,937	7,590	41,265	239,986	21,229	46,634	4,743	427,174
Accumulated amortisation	–	(2,243)	(1,139)	(6,049)	(39,743)	(19,430)	(1,166)	(1,515)	(71,285)
Net book amount	44,790	18,694	6,451	35,216	200,243	1,799	45,468	3,228	355,889

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17 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RMB'000	Acquired technology RMB'000	Acquired brand name RMB'000	Esports players' rights (Note iii) RMB'000	Esports licenses and contracts RMB'000	Online game licenses RMB'000	AVSP license (Note ii) RMB'000	Others RMB'000	Total RMB'000
Year ended December 31, 2022									
Opening net book amount	44,790	18,694	6,451	35,216	200,243	1,799	45,468	3,228	355,889
Additions	–	–	–	13,025	–	467	–	5,700	19,192
Business combination (Note 35(b))	15,375	3,259	–	–	–	–	–	–	18,634
Disposals	–	–	–	(2,021)	–	–	–	–	(2,021)
Amortisation charge	–	(3,283)	(1,517)	(10,776)	(23,998)	(1,938)	(4,663)	(3,258)	(49,433)
Closing net book amount	60,165	18,670	4,934	35,444	176,245	328	40,805	5,670	342,261
At December 31, 2022									
Cost	60,165	24,196	7,590	50,535	239,986	21,696	46,634	10,443	461,245
Accumulated amortisation	–	(5,526)	(2,656)	(15,091)	(63,741)	(21,368)	(5,829)	(4,773)	(118,984)
Net book amount	60,165	18,670	4,934	35,444	176,245	328	40,805	5,670	342,261

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17 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RMB'000	Acquired technology RMB'000	Acquired brand name RMB'000	Esports players' rights (Note iii) RMB'000	Esports licenses and contracts RMB'000	Online game licenses RMB'000	AVSP license (Note ii) RMB'000	Others RMB'000	Total RMB'000
(Unaudited)									
Six months ended June 30, 2022									
Opening net book amount	44,790	18,694	6,451	35,216	200,243	1,799	45,468	3,228	355,889
Additions	–	–	–	5,073	–	467	–	3,959	9,499
Business combination (Note 35(b))	15,375	3,259	–	–	–	–	–	–	18,634
Disposals	–	–	–	(917)	–	–	–	–	(917)
Amortisation charge	–	(1,554)	(758)	(5,738)	(11,998)	(1,032)	(2,332)	(1,234)	(24,646)
Closing net book amount	60,165	20,399	5,693	33,634	188,245	1,234	43,136	5,953	358,459
At June 30, 2022									
Cost	60,165	24,196	7,590	44,015	239,986	22,163	46,634	8,702	453,451
Accumulated amortisation	–	(3,797)	(1,897)	(10,381)	(51,741)	(20,929)	(3,498)	(2,749)	(94,992)
Net book amount	60,165	20,399	5,693	33,634	188,245	1,234	43,136	5,953	358,459

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17 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RMB'000	Acquired technology RMB'000	Acquired Brand name RMB'000	Esports players' rights (Note iii) RMB'000	Esports licenses and contracts RMB'000	Online game licenses RMB'000	AVSP license (Note ii) RMB'000	Others RMB'000	Total RMB'000
Six months ended June 30, 2023									
Opening net book amount	60,165	18,670	4,934	35,444	176,245	328	40,805	5,670	342,261
Additions	–	–	–	11,555	4,717	–	–	2,444	18,716
Disposals	–	–	–	(2,440)	–	–	–	–	(2,440)
Amortisation charge	–	(1,728)	(758)	(6,462)	(12,116)	(328)	(2,332)	(2,044)	(25,768)
Closing net book amount	60,165	16,942	4,176	38,097	168,846	–	38,473	6,070	332,769
At June 30, 2023									
Cost	60,165	24,196	7,590	62,288	244,703	21,696	46,634	12,887	433,525
Accumulated amortisation	–	(7,254)	(3,414)	(24,191)	(75,857)	(21,696)	(8,161)	(6,817)	(139,229)
Net book amount	60,165	16,942	4,176	38,097	168,846	–	38,473	6,070	332,769

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17 INTANGIBLE ASSETS (CONTINUED)

Notes:

- i) In June 2020, the Target Group acquired certain rights and licenses in the League of Legends Professional League from an Independent Third Party and the league operator for a total cash consideration of approximately RMB210,000,000. These rights and licenses entitled the Target Group to own a permanent tournament participation right in the League of Legends Professional League, an official Esports League operated by Tencent Holdings Limited. On the date of acquisition, these rights and licenses had the total post value-added tax fair value of approximately RMB198,113,000.
- ii) In September 2021, the Target Group acquired an AVSP license from the independent third parties. The AVSP license entitled the Target Group to expand its online interactive platform business.
- iii) For the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, the Target Group acquired 10, 20, 14, 9 and 6 contractual rights of Esports players from Independent Third Parties for total cash consideration of approximately RMB19,976,000, RMB34,567,000, RMB13,025,000, RMB5,073,000 and RMB11,555,000, respectively.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

17 INTANGIBLE ASSETS (CONTINUED)

(i) Goodwill

The balance includes the goodwill of approximately RMB44,790,000 and RMB15,375,000 arising from the acquisition of Uki Holding Limited (“Uki”) and Changya application (“Changya”). For details of acquisition and valuation models adopted in the purchase price allocation exercise, please refer to Notes 4 and 35.

The goodwill is allocated to the business of Uki and Changya, as one of the Target Group’s cash-generated units (“CGU”), which represents customer database and assembled workforce. For the purpose of impairment test of goodwill, Management performed a valuation for the recoverable amount of goodwill. The recoverable amount of CGU were determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management for recent years with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below. The Target Group believes that it is appropriate to cover five years in its cash flow projection according to the budget approved, because it captures the development stage of the Target Group’s businesses during which the Target Group expects to experience a high growth rate. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Target Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The key assumptions adopted in the value-in-use calculation are as follows:

	Year ended December 31,		Six months
	2021	2022	ended June 30,
			2023
Uki			
Average gross profit margin	56.9%	60.5%	58.6%
Five-year compound revenue growth rate	34.3%	33.6%	25.0%
Terminal growth rate	3.0%	2.5%	2.5%
Pre-tax discount rate	23.8%	26.4%	26.5%
	Year ended December 31,		Six months
	2021	2022	ended June 30,
			2023
Changya			
Average gross profit margin	N/A	76.5%	68.0%
Five-year compound revenue growth rate	N/A	47.8%	44.3%
Terminal growth rate	N/A	2.5%	2.5%
Pre-tax discount rate	N/A	20.1%	20.8%

- The average gross profit margin and five-year compound revenue growth rate are based on past performance and management’s expectations of market development.
- The terminal growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
- The pre-tax discount rate reflects specific risks relating to the relevant segments and the countries/territories in which they operate.

The recoverable amount calculated based on the value-in-use calculation exceeded the carrying amount of Uki by approximately RMB16,698,000 and RMB20,845,000 and RMB18,780,000 as at December 31, 2021 and 2022 and June 30, 2023 respectively. For Changya, the recoverable amount based on the value-in-use calculation exceeded the carrying amount by approximately RMB13,685,000 and RMB11,185,000 as at December 31, 2022 and June 30, 2023 respectively. The directors of the Target Company performed sensitivity analysis based on the key assumptions and considered reasonable possible changes on the key assumptions would not cause the carrying amount of CGU to exceed its recoverable amount. If the key assumptions decreased by the following percentages, all considered in isolation, it would remove the headroom.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

17 INTANGIBLE ASSETS (CONTINUED)

	Year ended December 31,		Six months ended June 30,
	2021	2022	2023
Uki			
Average gross profit margin	1.1%	1.7%	2.6%
Five-year compound revenue growth rate	2.9%	2.6%	1.9%
Changya			
Average gross profit margin	N/A	9.7%	4.5%
Five-year compound revenue growth rate	N/A	2.6%	1.6%

(ii) Other intangible assets

Other intangible assets mainly represented computer software and systems, domain names and trademarks.

18 FINANCIAL INSTRUMENTS BY CATEGORY

The detailed information of financial instruments by category during Track Record Period is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Assets as per balance sheets				
Financial assets measured at fair value through profit or loss:				
– Unlisted equity securities	6,136	10,525	69,795	94,478
– Loan receivables with conversion option	–	1,000	–	–
– Wealth management products	–	200,224	151,340	134,889
– Unlisted debt securities	–	–	206,757	88,011
Financial assets measured at amortised costs:				
– Trade receivables	46,797	84,820	99,084	51,174
– Other receivables and other current assets (excluding prepayments)	39,702	46,719	51,760	267,305
– Amounts due from related parties	272,147	–	–	–
– Cash and cash equivalents	629,319	718,187	934,926	767,768
– Restricted cash	–	638	696	723
– Fixed bank deposits	–	–	199,646	420,617
Total	994,101	1,062,113	1,714,004	1,824,965

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Liabilities as per balance sheets				
Financial liabilities measured at fair value through profit or loss:				
– Convertible redeemable preferred shares	746,193	2,448,645	2,730,121	2,932,486
– Convertible preferred shares	314,726	1,234,924	1,362,112	1,500,243
Financial liabilities measured at amortised cost:				
– Accounts payable	116,543	190,694	200,639	168,757
– Other payables and accruals (excluding employee benefit and other taxes payable)	114,623	201,958	108,999	107,388
– Lease liabilities	21,193	129,617	103,660	90,189
– Borrowings	126,500	–	–	–
– Amounts due to related parties	35,234	–	–	–
Total	1,475,012	4,205,838	4,505,531	4,799,063

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Non-current assets				
Investments in unlisted entities	6,136	10,525	69,795	94,478
Current assets				
Wealth management products	–	200,224	151,340	134,889
Unlisted debt securities	–	–	206,757	88,011
Loan receivables with conversion options	–	1,000	–	–
	–	201,224	358,097	222,900
Total	6,136	211,749	427,892	317,378

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	75,074	6,136	211,749	211,749	427,892
Additions	65,000	874,730	1,410,188	631,027	997,072
Disposal	(125,231)	(675,538)	(1,196,766)	(784,428)	(1,129,601)
Change in fair value through profit or loss	(8,707)	6,421	2,721	(4,817)	22,015
At the end of the year/period	<u>6,136</u>	<u>211,749</u>	<u>427,892</u>	<u>53,531</u>	<u>317,378</u>

20 TRADE RECEIVABLES

The detailed information of trade receivables during Track Record Period is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– Third party debtors	21,408	39,667	40,503	21,556
– Unbilled receivables	25,763	47,701	60,799	36,449
– Related parties	50	–	–	–
	<u>47,221</u>	<u>87,368</u>	<u>101,302</u>	<u>58,005</u>
Less: Loss allowance	(424)	(2,548)	(2,218)	(6,831)
Total trade receivables, net	<u>46,797</u>	<u>84,820</u>	<u>99,084</u>	<u>51,174</u>

Unbilled receivables arise from sale of virtual currency which can be used in the interactive online platform and online games developed by the Target Group. Virtual currency sold are non-refundable and the Target Group has unconditional right to receive payment, hence, these unbilled receivables are classified as trade receivables. The unbilled receivables will be transferred to trade receivables upon issuance of invoice. All of the Target Group’s unbilled receivables are expected to be recovered within one year.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

20 TRADE RECEIVABLES (CONTINUED)

The aging analysis of trade receivables based on invoice date is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
0 to 30 days	15,398	36,076	33,572	15,277
31 to 60 days	1,693	54	59	728
61 to 90 days	883	68	691	1,943
91 to 180 days	1,589	150	93	226
Over 180 days	1,895	3,319	6,088	3,382
	<u>21,458</u>	<u>39,667</u>	<u>40,503</u>	<u>21,556</u>
Unbilled receivables	<u>25,763</u>	<u>47,701</u>	<u>60,799</u>	<u>36,449</u>
	<u>47,221</u>	<u>87,368</u>	<u>101,302</u>	<u>58,005</u>
Less: Loss allowance	<u>(424)</u>	<u>(2,548)</u>	<u>(2,218)</u>	<u>(6,831)</u>
Total trade receivables, net	<u><u>46,797</u></u>	<u><u>84,820</u></u>	<u><u>99,084</u></u>	<u><u>51,174</u></u>

The carrying values of the Target Group’s trade receivables approximately their fair values. All trade receivables are either repayable within one year or on demand. The Target Group generally grants credit terms of 0 to 30 days to its customers. The Target Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Movements of loss allowance for trade receivables are as follows:

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	2,539	424	2,548	2,548	2,218
Increase in loss allowance recognised in profit or loss	2,503	2,124	1,008	693	4,613
Reversal of loss allowance recognised in prior year/period	(2,249)	–	(1,338)	(1,023)	–
Write-off	(2,369)	–	–	–	–
At the end of the year/period	<u><u>424</u></u>	<u><u>2,548</u></u>	<u><u>2,218</u></u>	<u><u>2,218</u></u>	<u><u>6,831</u></u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

20 TRADE RECEIVABLES (CONTINUED)

The Target Group’s credit risk management is disclosed in Note 3.1(b) to the consolidated financial statements.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
RMB	46,765	84,211	97,234	50,902
US\$	32	550	1,850	199
SGD	–	59	–	–
IDR	–	–	–	73
	<u>46,797</u>	<u>84,820</u>	<u>99,084</u>	<u>51,174</u>

21 PREPAYMENTS AND OTHER ASSETS

(a) Prepayments and other assets

The Target Group

The detailed information of prepayments and other assets during Track Record Period is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Prepaid marketing and promotion expenses	17,910	19,600	7,024	4,708
Prepaid revenue sharing fee	7,218	11,530	29,931	17,616
Prepaid bandwidth cost	2,104	124	–	–
Prepaid technical service fee	9,696	15,902	10,713	6,839
Prepaid listing expenses	–	11,257	18,356	12,853
Other prepaid expenses	3,102	5,247	9,558	3,144
	<u>40,030</u>	<u>63,660</u>	<u>75,582</u>	<u>45,160</u>
Total current prepayments				
Prepaid staff costs	7,043	–	–	–
Prepaid acquisition cost of intangible assets and property and equipment	1,000	888	–	–
	<u>8,043</u>	<u>888</u>	<u>–</u>	<u>–</u>
<u>Total non-current prepayments</u>				
Total prepayments	<u>48,073</u>	<u>64,548</u>	<u>75,582</u>	<u>45,160</u>

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

21 PREPAYMENTS AND OTHER ASSETS (CONTINUED)

(a) Prepayments and other assets (Continued)

The Target Group (Continued)

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Loan receivables (<i>Note i</i>)	18,996	14,209	6,968	6,968
Input value added tax recoverable	15,850	20,279	15,599	23,199
Deposits	6,784	14,412	22,539	20,309
Staff advance	–	8,918	2,955	3,773
Other receivables	3,360	3,110	9,667	10,554
	<u>44,990</u>	<u>60,928</u>	<u>57,728</u>	<u>64,803</u>
Total other current assets				
Deposits (<i>Note ii</i>)	–	–	1,000	209,470
	<u>–</u>	<u>–</u>	<u>1,000</u>	<u>209,470</u>
Total other non-current asset				
	<u>–</u>	<u>–</u>	<u>1,000</u>	<u>209,470</u>
Less: credit loss allowances	(5,288)	(14,209)	(6,968)	(6,968)
	<u>(5,288)</u>	<u>(14,209)</u>	<u>(6,968)</u>	<u>(6,968)</u>
Total other assets, net of credit loss allowances	39,702	46,719	51,760	267,305
	<u>39,702</u>	<u>46,719</u>	<u>51,760</u>	<u>267,305</u>

Notes:

- (i) The balance represented certain loan receivables with interest bearing at 1.2% to 12.0% per annum. During the year ended December 31, 2021, the loan receivables were overdue and management expected that related balance could not be recovered. These loan balances of approximately RMB14,209,000 were fully impaired as at December 31, 2021. During the year ended December 31, 2022, part of the fully impaired loan receivables were recovered, amounted to approximately RMB7,241,000 and hence the provision was reversed accordingly.
- (ii) As at June 30, 2023, deposits balance included a deposit placed for the acquisition of land use right in the PRC. On May 30, 2023, Guangzhou Quwan made a payment of approximately RMB208,470,000 to Guangzhou Municipal Planning and Natural Resources Bureau as a deposit to enter into an auction for the land use right for a piece of land in Guangzhou, the PRC. Guangzhou Quwan won the land auction on June 12, 2023. On July 3, 2023, the Target Group entered into an asset purchase agreement with Guangzhou Municipal Planning and Natural Resources Bureau for the acquisition of the land use right. The total purchase price of the land use right is approximately RMB1,042,320,000. The purchase consideration will be fully settled within one year from the date of the asset purchase agreement.

Other current assets of the Target Group are mainly denominated in RMB.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

21 PREPAYMENTS AND OTHER ASSETS (CONTINUED)

(a) Prepayments and other assets (Continued)

The Target Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Prepaid listing expenses	–	11,257	18,288	12,853
Other prepayments	7	7,696	–	–
	<u>7</u>	<u>18,953</u>	<u>18,288</u>	<u>12,853</u>
Total prepayments and other current assets	<u>7</u>	<u>18,953</u>	<u>18,288</u>	<u>12,853</u>

(b) Assets of a disposal group classified as held-for-sale

The Target Group classified its non-wholly owned interests in Qingdao Jiuqu Chenfei Investment Limited Partnership (“Qingdao Jiuqu”), a limited partnership enterprises registered under the PRC law and a structured entity held for investment purposes, as disposal group held-for-sale. The Target Group was committed to actively market and sell its interests in Qingdao Jiuqu and expected to complete the sale in 2023. During the year ended December 31, 2022, the Target Group did not provide any financial support to Qingdao Jiuqu.

At December 31, 2022, the assets in disposal group held-for-sale were stated at the lower of its carrying amount and fair value less costs to sell. The assets in disposal group held-for-sale are summarised below.

	<i>RMB'000</i>
Assets held-for-sale	
Property and equipment	32,409
Other receivables	20
Cash and cash equivalents (<i>Note 22(a)</i>)	<u>20,717</u>
Total	<u><u>53,146</u></u>

During the six months ended June 30, 2023, the Target Group decided to divest the above investment and the assets held-for-sale were repurchased by Qingdao Jiuqu at the price of approximately RMB56,449,000 and a gain of derecognition of approximately RMB4,217,000 was recognised in other gains, net.

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22 CASH AND BANK BALANCES

(a) Cash

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Non-current				
Fixed bank deposits	–	–	199,646	230,000
Current				
Fixed bank deposits with original maturities less than one year	–	–	–	190,617
Total fixed bank deposits	–	–	199,646	420,617
Cash at bank	629,319	639,187	614,554	731,639
Bank deposits with original maturities within three months	–	79,000	320,372	36,129
Total cash and cash equivalents (<i>Note</i>)	629,319	718,187	934,926	767,768
Total cash and bank balances	629,319	718,187	1,134,572	1,188,385

Note: As at December 31, 2022, part of the cash and cash equivalents of approximately RMB20,717,000 (*Note* 21(b)) were included in the assets of a disposal group classified as held-for-sale.

Cash and bank balances are denominated in the following currencies:

The Target Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
RMB	137,142	274,050	673,263	527,917
US\$	492,166	443,054	456,055	617,250
HK\$	–	229	412	36,489
SGD	11	587	1,169	1,464
AED	–	104	1,488	1,552
IDR	–	128	2,149	3,685
Others	–	35	36	28
	629,319	718,187	1,134,572	1,188,385

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

22 CASH AND BANK BALANCES (CONTINUED)

(a) Cash (Continued)

Fixed bank deposits of the Target Group are denominated in RMB and US\$. The effective interest rates for these fixed bank deposits were ranged from 2.62% to 3.45% and 3.15% to 6.30% per annum as at December 31, 2022 and June 30, 2023 respectively.

Bank deposits of the Target Group are denominated in RMB and US\$. The effective interest rates for these bank deposits with original maturities within three months were ranged from 2.03% to 2.70%, 4.00% to 5.10% and 5.4% per annum as at December 31, 2021 and 2022 and six months ended June 30, 2023 respectively.

The Target Company

Cash and cash equivalents

	As at December 31,			As at
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
US\$	339,122	223,870	55,793	2,233
HK\$	–	5	5	5
	<u>339,122</u>	<u>223,875</u>	<u>55,798</u>	<u>2,238</u>

(b) Restricted cash

Restricted cash of the Target Group was denominated in US\$. Restricted cash of approximately RMB638,000, RMB696,000 and RMB723,000 was restricted by a bank as pledge for a credit card facility as at December 31, 2021 and 2022 and six months ended June 30, 2023 respectively.

23 SHARE CAPITAL

Authorised:

	Number of ordinary shares at US\$0.0001 each	Nominal value of ordinary shares US\$'000	Number of Series Angel Preferred Shares at US\$0.0001 each	Number of Series A Preferred Shares at US\$0.0001 each	Number of Series B Preferred Shares at US\$0.0001 each	Number of Series B+ Preferred Shares at US\$0.0001 each	Number of Series C Preferred Shares at US\$0.0001 each	Nominal value of preferred shares US\$'000	Total number of shares at US\$0.0001 each	Nominal value of share capital US\$'000
A January 1, 2020	500,000,000	50	–	–	–	–	–	–	500,000,000	50
Re-designation of the authorised share capital	(69,740,257)	(7)	28,163,933	23,386,682	12,992,601	5,197,041	–	7	–	–
At December 31, 2020	430,259,743	43	28,163,933	23,386,682	12,992,601	5,197,041	–	7	500,000,000	50
Re-designation of the authorised share capital	(9,631,022)	(1)	–	–	–	–	9,631,022	1	–	–
At December 31, 2021 and 2022 and June 30, 2023	<u>420,628,721</u>	<u>42</u>	<u>28,163,933</u>	<u>23,386,682</u>	<u>12,992,601</u>	<u>5,197,041</u>	<u>9,631,022</u>	<u>8</u>	<u>500,000,000</u>	<u>50</u>

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23 SHARE CAPITAL (CONTINUED)

Movements of ordinary shares issued and fully paid:

	<i>Note</i>	Number of shares	Nominal value of shares US\$'000	Equivalent nominal value of shares RMB'000
At January 1, 2020		1	–	–
Issuance of ordinary shares	<i>(i)</i>	72,302,625	7	47
At December 31, 2020		72,302,626	7	47
Issuance of ordinary shares as consideration for acquisition of subsidiaries	<i>(i)</i>	3,274,795	–	2
Share repurchase and cancellation	<i>(i)</i>	(7,786,296)	–	–
Re-designation of ordinary shares to Series C Preferred Shares	<i>(iii)</i>	(2,828,336)	–	(2)
At December 31, 2021 and 2022		64,962,789	7	47
At January 1, 2023		64,962,789	7	47
Exercise of share option	<i>(iv)</i>	1,050,000	–*	1
At June 30, 2023		66,012,789	7	48

* The nominal value of 1,050,000 share options exercised at US\$0.0001 each equal to US\$105.

(i) Ordinary shares

As at May 29, 2019 (the date of incorporation) and December 31, 2019, the Target Company had authorised share capital of US\$50,000 divided into 500,000,000 ordinary shares of par value US\$0.0001 each. 1 ordinary share was issued at par value.

On November 11, 2020, 55,243,376 ordinary shares were issued for a consideration of US\$5,000 (equivalent to approximately RMB36,000).

On December 10, 2020, 17,059,249 ordinary shares were issued for a consideration of US\$2,000 (equivalent to approximately RMB11,000).

On December 28, 2020, 5,197,041 ordinary shares were repurchased from shareholders controlled by key management at a consideration of US\$16,000,000 (equivalent to approximately RMB104,398,000) and such shares were cancelled subsequently.

On February 7, 2021, 2,589,255 ordinary shares were repurchased from a shareholder controlled by key management at a consideration of approximately US\$3,080,000 (equivalent to approximately RMB19,929,000) and such shares were cancelled subsequently.

On April 21, 2021, 3,274,795 ordinary shares were issued for the acquisition of a group of subsidiaries. See Note 35(a) for details.

On June 15, 2021, 2,828,336 ordinary shares were re-designated to Series C Preferred Shares. See Note 23(iii) for details.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

23 SHARE CAPITAL (CONTINUED)

(ii) Re-designation of ordinary shares into Series Angel Preferred Shares

Pursuant to a share purchase agreement dated November 11, 2020, Vanker (BVI) Limited, an entity which was wholly owned by Mr. Song Ke and Dream League Limited, a subsidiary which was owned by another corporate shareholder of a group entity sold a total of 28,163,933 ordinary shares to a Series Angel preferred shareholder of the Target Company. According to the terms and conditions of the agreement, each ordinary share to be purchased and sold shall, concurrently with the closing, be redesignated to one Series Angel Preferred Share. The re-designation of ordinary shares to Series Angel Preferred Shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series Angel Preferred Shares. The fair value difference between the ordinary shares and the Series Angel Preferred Shares mentioned above of approximately RMB12,393,000 was recognised as share-based compensation expenses.

(iii) Re-designation of ordinary shares into Series C Preferred Shares

Pursuant to a share purchase agreement dated June 15, 2021, Funplus (BVI) Limited, which was wholly owned by Mr. Song Ke, sold a total of 2,828,336 ordinary shares to a Series C preferred shareholder of the Target Company. According to the terms and conditions of the agreement, each ordinary share to be purchased and sold shall, concurrently with the closing, be redesignated to one Series C Preferred Share. The re-designation of ordinary shares to Series C Preferred Shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series C Preferred Shares. The fair value difference between the ordinary shares and the Series C Preferred Shares mentioned above of approximately RMB69,316,000 was recognised as share-based compensation expenses.

(iv) Exercise of share options

On January 3, 2023, 1,050,000 share options granted under 2020 Global Employee Incentive Plan were exercised by Mr. Song Ke. See note 27(a) for details.

24 OTHER RESERVES

The following table shows a breakdown of the balance sheet line item ‘other reserves’ and the movements in these reserves during the Track Record Period. A description of the nature and purpose of each reserve is provided below the table.

The Target Group

	Capital reserve	Share-based compensation	Currency translation differences	Fair value change reserve	Statutory reserve	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>(Note a)</i> <i>RMB'000</i>	<i>RMB'000</i>	<i>(Note b)</i> <i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2020	99,438	91,300	–	–	5,327	196,065
Share-based compensation	–	95,829	–	–	–	95,829
Change in fair value attributable to credit risk change	–	–	–	3,649	–	3,649
Deemed contribution from Shareholders (Note 26)	34,365	–	–	–	–	34,365
Re-designation of ordinary shares into Series Angel Preferred Shares	(198,591)	–	–	–	–	(198,591)
Repurchases of ordinary shares	(104,398)	–	–	–	–	(104,398)
Currency translation differences	–	–	8,714	–	–	8,714
Appropriations to statutory reserves	–	–	–	–	987	987
As at December 31, 2020	(169,186)	187,129	8,714	3,649	6,314	36,620

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

24 OTHER RESERVES (CONTINUED)

The Target Group (Continued)

	Capital reserve <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Currency translation differences <i>(Note a)</i> <i>RMB'000</i>	Fair value change reserve <i>RMB'000</i>	Statutory reserve <i>(Note b)</i> <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2021	(169,186)	187,129	8,714	3,649	6,314	36,620
Share-based compensation	–	97,896	–	–	–	97,896
Change in fair value attributable to credit risk change	–	–	–	(4,598)	–	(4,598)
Deemed contribution from shareholders <i>(Note 26)</i>	138,546	–	–	–	–	138,546
Contribution from non-controlling interests	2,174	–	–	–	–	2,174
Re-designation of ordinary shares into Series C Preferred Shares	(51,549)	–	–	–	–	(51,549)
Repurchase of ordinary shares	(19,929)	–	–	–	–	(19,929)
Issuance of ordinary shares in relation to acquisition of subsidiaries	49,866	–	–	–	–	49,866
Currency translation differences	–	–	43,528	–	–	43,528
Appropriations to statutory reserves	–	–	–	–	1,376	1,376
As at December 31, 2021	<u>(50,078)</u>	<u>285,025</u>	<u>52,242</u>	<u>(949)</u>	<u>7,690</u>	<u>293,930</u>
As at January 1, 2022	(50,078)	285,025	52,242	(949)	7,690	293,930
Share-based compensation	–	53,057	–	–	–	53,057
Change in fair value attributable to credit risk change	–	–	–	10,239	–	10,239
Currency translation differences	–	–	(305,346)	–	–	(305,346)
Appropriations to statutory reserves	–	–	–	–	8,380	8,380
As at December 31, 2022	<u>(50,078)</u>	<u>338,082</u>	<u>(253,104)</u>	<u>9,290</u>	<u>16,070</u>	<u>60,260</u>
(Unaudited)						
As at January 1, 2022	(50,078)	285,025	52,242	(949)	7,690	293,930
Share-based compensation	–	34,722	–	–	–	34,722
Change in fair value attributable to credit risk change	–	–	–	7,856	–	7,856
Currency translation differences	–	–	(171,275)	–	–	(171,275)
As at June 30, 2022	<u>(50,078)</u>	<u>319,747</u>	<u>(119,033)</u>	<u>6,907</u>	<u>7,690</u>	<u>165,233</u>
As at January 1, 2023	(50,078)	338,082	(253,104)	9,290	16,070	60,260
Share-based compensation	–	44,784	–	–	–	44,784
Dividend declared	(198,440)	–	–	–	–	(198,440)
Change in fair value attributable to credit risk change	–	–	–	(24,526)	–	(24,526)
Currency translation differences	–	–	(160,472)	–	–	(160,472)
As at June 30, 2023	<u>(248,518)</u>	<u>382,866</u>	<u>(413,576)</u>	<u>(15,236)</u>	<u>16,070</u>	<u>(278,394)</u>

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

24 OTHER RESERVES (CONTINUED)

The Target Company

	Capital reserve (Note) RMB'000	Share-based compensation RMB'000	Currency translation differences (Note a) RMB'000	Fair value change reserve RMB'000	Total RMB'000
As at January 1, 2020	–	–	–	–	–
Share-based compensation	–	38,554	–	–	38,554
Change in fair value due to credit risk	–	–	–	3,649	3,649
Repurchase of ordinary shares	(104,398)	–	–	–	(104,398)
Re-designation of ordinary shares into Series Angel Preferred Shares	(198,591)	–	–	–	(198,591)
Recapitalisation on investment in subsidiaries	1,207,709	–	–	–	1,207,709
Currency translation differences	–	–	(5,509)	–	(5,509)
As at December 31, 2020	904,720	38,554	(5,509)	3,649	941,414
As at January 1, 2021	904,720	38,554	(5,509)	3,649	941,414
Repurchase of ordinary shares	(19,929)	–	–	–	(19,929)
Share-based compensation	–	97,896	–	–	97,896
Change in fair value due to credit risk	–	–	–	(4,598)	(4,598)
Issuance of ordinary shares in relation to acquisition of subsidiaries	49,866	–	–	–	49,866
Re-designation of ordinary shares into Series C Preferred Shares	(51,549)	–	–	–	(51,549)
Currency translation differences	–	–	11,714	–	11,714
As at December 31, 2021	883,108	136,450	6,205	(949)	1,024,814
As at January 1, 2022	883,108	136,450	6,205	(949)	1,024,814
Share-based compensation	–	53,057	–	–	53,057
Change in fair value due to credit risk	–	–	–	10,239	10,239
Currency translation differences	–	–	(155,659)	–	(155,659)
As at December 31, 2022	883,108	189,507	(149,454)	9,290	932,451
(Unaudited)					
As at January 1, 2022	883,108	136,450	6,205	(949)	1,024,814
Share-based compensation	–	34,722	–	–	34,722
Change in fair value due to credit risk	–	–	–	7,856	7,856
Currency translation differences	–	–	(84,637)	–	(84,637)
As at June 30, 2022	883,108	171,172	(78,432)	6,907	982,755

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

24 OTHER RESERVES (CONTINUED)

The Target Company (Continued)

	Capital reserve (Note) RMB’000	Share-based compensation RMB’000	Currency translation differences (Note a) RMB’000	Fair value change reserve RMB’000	Total RMB’000
As at January 1, 2023	883,108	189,507	(149,454)	9,290	932,451
Share-based compensation	–	44,784	–	–	44,784
Change in fair value due to credit risk	–	–	–	(24,526)	(24,526)
Dividends declared (Note 26)	(198,440)	–	–	–	(198,440)
Currency translation differences	–	–	(91,805)	–	(91,805)
As at June 30, 2023	<u>684,668</u>	<u>234,291</u>	<u>(241,259)</u>	<u>(15,236)</u>	<u>662,464</u>

Note a: Currency translation difference represents the difference arising from the translation of the financial statements of companies within the Target Group that have a functional currency different from the reporting currency of RMB for the financial statements of the Target Company and the Target Group.

Note b: In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory reserve funds and the discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to the discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both the statutory surplus reserve fund and discretionary reserve fund can be capitalised as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

Note c: Capital reserve represents the share premium account of the Target Company. The share premium account represents the difference between the par value of the shares issued and the subscription or issue price of the shares. 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 Target Company being unable to pay its debts as they fall due in the ordinary course of business.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

25 NON-CONTROLLING INTEREST

(a) Non-controlling interest

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Target Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	Guangzhou Qujing Culture Media Co., Ltd.			As at June 30,	
	As at December 31,				
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	
Current assets	73,308	–	N/A	N/A	
Current liabilities	(305,804)	–	N/A	N/A	
Net current liabilities	(232,496)	–	N/A	N/A	
Non-current assets	246,988	–	N/A	N/A	
Net non-current assets	246,988	–	N/A	N/A	
Net assets	14,492	–	N/A	N/A	
Accumulated non-controlling interest	723	–	N/A	N/A	

Note: Guangzhou Qujing was incorporated in November 2019. All non-controlling interests in Guangzhou Qujing was acquired by the Target Group on January 1, 2021. Please refer to note 25(b)(i) for details.

No dividend was paid to non-controlling interest during the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023.

Summarised statement of cash flows	Guangzhou Qujing Culture Media Co., Ltd.				
	Years ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	
	<i>(Unaudited)</i>				
Cash flows used in operating activities	(45,239)	–	–	–	–
Cash flows used in investing activities	(176,409)	–	–	–	–
Cash flows generated from financing activities	226,801	–	–	–	–
Net increase in cash and cash equivalents	5,153	–	–	–	–

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

25 NON-CONTROLLING INTEREST (CONTINUED)

(b) Transactions with non-controlling interests

- (i) On January 1, 2021, the Target Group has acquired 4.99% equity interest of Guangzhou Qujing from Zhuhai Jinqu at nil consideration.
- (ii) During the year ended December 31, 2021, pursuant to the shareholder agreement entered into between the Target Group and the non-controlling interest shareholder of a subsidiary, the Target Group and the non-controlling interest shareholder of a subsidiary of the Target Group would contribute approximately RMB31,832,000 and RMB15,816,000, respectively, in exchange of 70% and 30% equity interest in the subsidiary, respectively. Based on the amount contributed by the Target Group and the non-controlling interest shareholder, the non-controlling interest had, in effect, contributed more than its share in the subsidiary whereby the additional amount contributed by the non-controlling interest shareholder was accounted for as capital reserve to the Target Group.

26 DIVIDENDS

For the year ended December 31, 2019, Guangzhou Quwan declared special dividends of approximately RMB69,360,000. The above dividends were paid in August 2020.

In August 2020, Guangzhou Quwan declared special dividends of approximately RMB112,000,000. The then shareholders of Guangzhou Quwan collectively, with the exception of Wenzhou Huanqu Business Management Limited Partnership, a partnership controlled by Mr. Song Ke, agreed to forfeit their entitlements of such dividend and transferred such entitlements to Wenzhou Huanqu Business Management Limited Partnership. Accordingly, the difference between the amount entitled by Wenzhou Huanqu Business Management Limited Partnership and the amount received by Wenzhou Huanqu Business Management Limited Partnership amounted to approximately RMB34,365,000 was recorded as capital contribution from other shareholders and wages, salaries and bonuses to Mr. Song Ke for his services, the amount was fully settled during the year. Dividends paid amounted to approximately RMB77,635,000 were recorded in cash flows used in financing activities for the year ended December 31, 2020.

In April 2021, Guangzhou Quwan declared special dividends of approximately RMB230,000,000. The then shareholders of Guangzhou Quwan collectively, with the exception of Linxia Shouqu Management Limited Partnership, a partnership controlled by management of the Target Company, agreed to forfeit their entitlements of such dividend and transferred such entitlements to Linxia Shouqu Management Limited Partnership. Accordingly, the difference between the amount entitled by Linxia Shouqu Management Limited Partnership and the amount received by Linxia Shouqu Management Limited Partnership amounted to approximately RMB138,546,000 was recorded as capital contribution from other shareholders and wages, salaries and bonuses to management for their services, the amount was fully settled during the year. Dividends paid amounted to approximately RMB91,454,000 were recorded in cash flows used in financing activities for the year ended December 31, 2021.

In January 2023, Quwan Holding Limited declared interim dividends of US\$29,297,590 (equivalent to approximately RMB198,440,000) to the holders of all classes of shares of the Target Company. Dividends paid amounted to approximately RMB197,344,000 were recorded in cash flows used in financing activities for six months ended June 30, 2023.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27 SHARE-BASED COMPENSATION

(a) Share option plan

2015 PRC Incentive Plan

In 2015, Guangzhou Quwan adopted the 2015 Share Incentive Plan (“the 2015 PRC Plan”). Under the 2015 PRC Plan, Guangzhou Quwan granted a total of 404,088 share based awards, representing the corresponding amount of equity interests of Guangzhou Quwan to certain of its officers and employees. Guangzhou Quwan’s 2015 PRC Incentive Plan provides for the grant of incentive share options to Guangzhou Quwan’s employees, officers and directors. Guangzhou Quwan’s board of directors administers the 2015 PRC Incentive Plan, selects the individuals to whom options will be granted, determines the number of options to be granted, and the term and exercise price of each option.

2020 Global Employee Incentive Plan

The Target Company adopted the 2020 Global Employee Incentive Plan (“the 2020 Plan”) in December 2020. The purpose of the 2020 Plan was to aid the Target Company and its subsidiaries in recruiting and retaining key employees, directors or consultant of outstanding ability and to motivate such employees, directors, or consultants to exert their best efforts on behalf of the Target Company and its subsidiaries by providing incentives through the granting of awards.

Share options granted to employee

2015 PRC Incentive Plan

Up to the Track Record Period, Guangzhou Quwan granted share options to employees, officers and directors of the Target Group. These options were granted with exercise prices denominated in the RMB, which is the functional currency of Guangzhou Quwan. The table below sets forth information regarding share options granted:

	Number of options	Term (year)	Vesting period (year)	Exercise price (RMB)
Grant Date				
July 1, 2015	36,618	10.00	0.00	1.0000
July 1, 2015	62,000	10.00	4.00	0.0007
January 1, 2016	62,085	10.00	0.00	1.0000
January 1, 2016	122,000	10.00	4.00	0.0007
July 1, 2016	10,000	10.00	0.00	1.0000
July 1, 2016	20,000	10.00	4.00	0.0007
January 1, 2017	13,000	10.00	0.00	1.0000
January 1, 2017	14,000	10.00	4.00	0.0007
July 1, 2017	7,800	10.00	0.00	1.0000
January 1, 2018	15,500	10.00	0.00	1.0000
January 1, 2018	6,100	10.00	4.00	0.0007
January 1, 2019	9,103	10.00	0.00	1.0000
July 1, 2019	4,000	10.00	0.00	1.0000
January 1, 2020	2,841	10.00	0.00	1.0000
January 1, 2020	5,327	10.00	4.00	0.0007
July 1, 2020	13,714	10.00	0.00	1.0000

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27 SHARE-BASED COMPENSATION (CONTINUED)

(a) Share option plan (Continued)

Share options granted to employee (Continued)

2015 PRC Incentive Plan (Continued)

All of the share options with vesting periods granted with Guangzhou Quwan’s ordinary shares as at December 31, 2020 were cancelled and replaced by the share options granted with the Target Company’s ordinary shares in January and February 2021 under the 2020 Plan.

All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognised based on the vesting schedule over the requisite service period. Total fair values of options vested and recognised as expenses under the 2015 PRC Plan for the years ended December 31, 2020 and 2021, were approximately RMB1,516,000 and nil, respectively.

Grant of options

During the years ended December 31, 2020 and 2021, Guangzhou Quwan granted 21,882 and nil share options under 2015 PRC Plan to employees, respectively.

Vesting of options

There are mainly two types of vesting schedule, which are: i) 25% of the options will be vested after 12 months of the grant date, 25% of the options will be vested after 24 months of the grant date, 25% of the options will be vested after 36 months of the grant date and the remaining 25% will be vested after 48 months of the grant date, and ii) options will be vested immediately on the grant date.

Movements in the number of 2015 PRC Plan share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option RMB
Outstanding as at January 1, 2020	382,206	0.42
Granted during the year	21,882	0.76
Outstanding as at December 31, 2020	<u>404,088</u>	<u>0.43</u>
Exercisable as at December 31, 2020	<u>398,567</u>	<u>0.44</u>
Outstanding as at January 1, 2021	404,088	0.43
Forfeited during the year (Note)	<u>(404,088)</u>	<u>0.43</u>
Outstanding as at December 31, 2021	<u>–</u>	<u>–</u>
Exercisable as at December 31, 2021	<u>–</u>	<u>–</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27 SHARE-BASED COMPENSATION (CONTINUED)

(a) Share option plan (Continued)

Share options granted to employee (Continued)

Vesting of options (Continued)

Notes:

- (i) 229,427 share options with vesting periods granted with Guangzhou Quwan’s ordinary shares under the 2015 PRC Plan as at December 31, 2020 were replaced by the share options, totally 2,294,270 granted under the 2020 Plan with the Target Company’s ordinary shares in January and February 2021. There were no changes in terms except for exercise price changed from RMB0.0007 into US\$0.0001. There was no significant incremental increase in fair value of the share options awarded arising from the replacement.
- (ii) 174,661 share options with no vesting periods granted with Guangzhou Quwan’s ordinary shares under the 2015 PRC Plan as at December 31, 2020 were replaced by the share options, totally 1,746,610 granted under the 2020 Plan with the Target Company’s ordinary shares in January and February 2021. The newly granted share options under the 2020 Plan implemented new vesting periods and the exercise price changed from RMB1 into US\$0.0001.

The weighted-average remaining contract life for outstanding share options of the 2015 PRC Plan was 5.45 years and nil year as at December 31, 2020 and 2021, respectively.

Fair value of share options

The Target Group has used the discounted cash flow method to determine the underlying equity fair value of the Target Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as the discount rate and projections of future performance, are determined by the Target Group with best estimate.

Based on fair value of the underlying ordinary shares, the Target Group has used Binomial model to determine the fair value of the share option under the 2015 PRC Plan as at the grant date. Key assumptions are set as follows:

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
				<i>(Unaudited)</i>	
Fair value per share (RMB)	58.37 – 76.35	N/A	N/A	N/A	N/A
Exercise price (RMB)	0.0007 – 1	N/A	N/A	N/A	N/A
	2.85% –				
Risk-free interest rates	3.14%	N/A	N/A	N/A	N/A
Dividend yield	0%	N/A	N/A	N/A	N/A
Expected volatility	51.65% –				
	52.94%	N/A	N/A	N/A	N/A
Expected terms	10 years	N/A	N/A	N/A	N/A

The weighted-average fair value of granted share options of the 2015 PRC Plan was RMB56.74, nil, nil and nil per share for the years ended December 31, 2020 and 2021 and the six months ended June 30, 2022 and 2023, respectively.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27 SHARE-BASED COMPENSATION (CONTINUED)

(a) Share option plan (Continued)

Fair value of share options (Continued)

2020 Global Employee Incentive Plan

During the years ended December 31, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the Target Company granted share options under the 2020 Plan to employees, officers and directors of the Target Group. These options were granted with exercise prices denominated in the US\$, which is the functional currency of the Target Company. The table below sets forth information regarding share options granted during the Track Record Period:

Grant Date	Number of options	Term (year)	Vesting period (year)	Exercise price at grant date (US\$)
January 28, 2021 <i>(Note i)</i>	3,449,788	10.00	4.00	0.0001
January 28, 2021 <i>(Note ii)</i>	1,065,393	10.00	0.50	0.0001
January 29, 2021 <i>(Note iii)</i>	1,140,340	10.00	4.00	0.0001
January 30, 2021 <i>(Note iii)</i>	188,524	10.00	4.00	0.0001
January 31, 2021	127,000	10.00	4.00	0.0001
February 1, 2021 <i>(Note iii)</i>	849,985	10.00	4.00	0.0001
February 2, 2021	4,000	10.00	4.00	0.0001
February 3, 2021	50,527	10.00	4.00	0.0001
February 4, 2021	1,514,937	10.00	0.00	0.0001
April 1, 2021	1,872,303	10.00	4.00	0.0001
May 17, 2021	214,381	10.00	0.00	0.0001
July 1, 2021	71,429	10.00	3.00	0.0001
July 1, 2021	14,436	10.00	3.50	0.0001
July 1, 2021	1,676,182	10.00	4.00	0.0001
October 1, 2021	71,921	10.00	4.00	0.0001
November 1, 2021	1,050,000	9.00	1.00	0.0001
January 1, 2022 <i>(Note iv)</i>	33,409	10.00	4.00	0.0001
April 1, 2022 <i>(Note iv)</i>	99,293	10.00	4.00	0.0001
July 1, 2022 <i>(Note iv)</i>	932,798	10.00	4.00	0.0001
October 1, 2022 <i>(Note iv)</i>	8,465	10.00	4.00	0.0001
January 1, 2023 <i>(Note vi)</i>	2,419	10.00	4.00	0.0001
April 1, 2023 <i>(Note vi)</i>	10,752	10.00	4.00	0.0001
April 1, 2023 <i>(Note vi)</i>	726,920	10.00	0.00	0.0001

Notes:

- (i) 229,427 share options with vesting periods granted with Guangzhou Quwan’s ordinary shares under the 2015 PRC Plan as at December 31, 2020 were replaced by the share options, totally 2,294,270 granted under the 2020 Plan with the Target Company’s ordinary shares in January and February 2021. There were no changes in terms except for exercise price changed from RMB0.0007 into US\$0.0001. There was no significant incremental increase in fair value of the share options awarded arising from the replacement.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27 SHARE-BASED COMPENSATION (CONTINUED)

(a) Share option plan (Continued)

Fair value of share options (Continued)

2020 Global Employee Incentive Plan (Continued)

- (ii) 174,661 share options with no vesting periods granted with Guangzhou Quwan’s ordinary shares under the 2015 PRC Plan as at December 31, 2020 were replaced by the share options, totally 1,746,610 granted under the 2020 Plan with the Target Company’s ordinary shares in January and February 2021. There were no changes in terms except for exercise price changed from RMB1 into US\$0.0001. There was no significant incremental increase in fair value of the share options awarded arising from the replacement.
- (iii) All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognised based on the vesting schedule over the requisite service period. Total fair values of options vested and recognised as expenses under the 2020 Plan for the year ended December 31, 2021 were approximately RMB97,896,000.
- (iv) All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognised based on the vesting schedule over the requisite service period. Total fair values of options vested and recognised as expenses under the 2020 Plan for the year ended December 31, 2022 were approximately RMB53,057,000.
- (v) All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognised based on the vesting schedule over the requisite service period. Total fair values of options vested and recognised as expenses under the 2020 Plan for the six months ended June 30, 2022 were approximately RMB34,722,000.
- (vi) All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognised based on the vesting schedule over the requisite service period. Total fair values of options vested and recognised as expenses under the 2020 Plan for the six months ended June 30, 2023 were approximately RMB51,516,000.

Grant of options

During the years ended December 31, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the Target Company granted 13,361,146, 1,073,965, 132,702 and 740,091 share options under the 2020 Plan to employees, respectively.

Vesting of options

There are mainly six types of vesting schedules for the 2020 Plan, which are: i) 25% of the options will be vested after 12 months of the grant date, 25% of the options will be vested after 24 months of the grant date, 25% of the options will be vested after 36 months of the grant date and the remaining 25% will be vested after 48 months of the grant date, ii) options will be fully vested after 6 months of the grant date, iii) 25% of the options will be vested after 6 months of the grant date, 25% of the options will be vested after 18 months of the grant date, 25% of the options will be vested after 30 months of the grant date and the remaining 25% will be vested after 42 months of the grant date, iv) 33% of the options will be vested after 12 months of the grant date, 33% of the options will be vested after 24 months of the grant date and the remaining 34% of the options will be vested after 36 months of the grant, v) options will be vested immediately on the grant date and vi) options will be fully vested after 12 months of the grant date.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27 SHARE-BASED COMPENSATION (CONTINUED)

(a) Share option plan (Continued)

Fair value of share options (Continued)

Vesting of options (Continued)

Movements in the number of share options granted to the employees, officers, and directors of the Target Group and their related weighted average exercise prices under the 2020 PRC Incentive Plan are as follow:

	Number of share options	Weighted average exercise price per share option US\$
Outstanding as at January 1, 2020, December 31, 2020, and January 1, 2021	–	–
Granted during the year	13,361,146	0.0001
Forfeited during the year	(142,508)	0.0001
	<hr/>	<hr/>
Outstanding as at December 31, 2021	13,218,638	0.0001
	<hr/>	<hr/>
Exercisable as at December 31, 2021	5,179,106	0.0001
	<hr/> <hr/>	<hr/> <hr/>
Granted during the year	1,073,965	0.0001
Forfeited during the year	(2,091,728)	0.0001
	<hr/>	<hr/>
Outstanding as at December 31, 2022	12,200,875	0.0001
	<hr/>	<hr/>
Exercisable as at December 31, 2022	6,172,252	0.0001
	<hr/> <hr/>	<hr/> <hr/>
	Number of share options	Weighted average exercise price per share option US\$
(Unaudited)		
Outstanding as of January 1, 2022	13,218,638	0.0001
Granted during the period	132,702	0.0001
Forfeited during the period	(162,120)	0.0001
	<hr/>	<hr/>
Outstanding as at June 30, 2022	13,189,220	0.0001
	<hr/>	<hr/>
Exercisable as at June 30, 2022	6,914,674	0.0001
	<hr/> <hr/>	<hr/> <hr/>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27 SHARE-BASED COMPENSATION (CONTINUED)

(a) Share option plan (Continued)

Fair value of share options (Continued)

Vesting of options (Continued)

	Number of share options	Weighted average exercise price per share option US\$
Outstanding as of January 1, 2023	12,200,875	0.0001
Granted during the period	740,091	0.0001
Forfeited during the period	(683,935)	0.0001
Exercised during the period (<i>Note</i>)	(1,050,000)	0.0001
	<u>11,207,031</u>	<u>0.0001</u>
Outstanding as at June 30, 2023	11,207,031	0.0001
	<u>7,286,430</u>	<u>0.0001</u>
Exercisable as at June 30, 2023	7,286,430	0.0001

Note: On January 3, 2023, 1,050,000 shares options were exercised by Mr. Song Ke at exercise price US\$0.0001.

The weighted-average remaining contract life for outstanding share options of the 2020 Plan were 9.2, 8.3, 8.7 and 7.9 years as at December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively.

Fair value of share options

The Target Group has used the discounted cash flow method to determine the underlying equity fair value of the Target Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as the discount rate and projections of future performance, are determined by the Target Group with best estimate.

Based on fair value of the underlying ordinary shares, the Target Group has used Binomial model to determine the fair value of the share option under the 2020 Plan as at the grant date. Key assumptions are set out as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				(<i>Unaudited</i>)	
Fair value per share (<i>RMB</i>)	N/A	12.24 – 38.7	12.24 – 45.92	12.24 – 45.92	12.24 – 48.27
Exercise price (<i>US\$</i>)	N/A	0.0001	0.0001	0.0001	0.0001
		0.49% –	0.49% –	0.49% –	0.49% –
Risk-free interest rates	N/A	1.73%	3.90%	2.49%	4.02%
Dividend yield	N/A	0%	0%	0%	0%
Expected volatility	N/A	51.34% –	51.34% –	51.34% –	51.34% –
Expected terms	N/A	52.85%	58.09%	57.94%	58.72%
		10 years	10 years	10 years	10 years

The weighted-average fair value of granted share options were RMB16.68, RMB18.66, RMB16.96 and RMB22.58 per share for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

During the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, there were approximately RMB1,516,000, RMB97,896,000, RMB53,057,000, RMB34,722,000 and RMB51,516,000 share-based compensation recognised for all share options issued by the Target Group, respectively.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27 SHARE-BASED COMPENSATION (CONTINUED)

(b) Share-based compensation from repurchase of ordinary shares indirectly held by key management

During the year ended December 31, 2020, the Target Company repurchased certain equity interest indirectly held by certain shareholders of the Target Company who are also acting as key management of the Target Group at a consideration of approximately RMB104,398,000. The difference between the consideration paid by the Target Company and the fair value of the equity interests being repurchased amounted to approximately RMB50,947,000 was recognised as share-based compensation for the year ended December 31, 2020. As at December 31, 2020, an outstanding consideration of approximately RMB35,234,000 was recognised under amounts due to related parties. The balance was repaid during the year ended December 31, 2021.

(c) Share-based compensation from other equity transactions between shareholders

During the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, there were approximately RMB43,366,000, nil, nil, nil and nil share-based compensation, arising from other shareholder transactions between shareholders being recognised as expenses, respectively.

(d) Share-based compensation from re-designation of series C preferred shares

During the year ended December 31, 2021, there was approximately RMB69,316,000 share-based compensation recognised for the re-designation of ordinary shares into series C preferred shares. Please refer to note 23(iii) for details.

(e) Share-based compensation from re-designation of series Angel preferred share

During the year ended December 31, 2020, there was approximately RMB12,393,000 share-based compensation recognised for the re-designation of ordinary shares of Guangzhou Quwan into Target Company’s series Angel preferred shares upon reorganisation.

The share-based compensation expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Cost of revenues	45	3,452	4,007	1,944	1,104
Selling and marketing expenses	172	5,411	5,705	1,233	2,756
Administrative expenses	107,533	130,019	41,740	26,191	40,755
Research and development expenses	472	28,330	15,701	5,354	6,901
Total	<u>108,222</u>	<u>167,212</u>	<u>67,153</u>	<u>34,722</u>	<u>51,516</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

28 ACCOUNTS AND OTHER PAYABLES

The Target Group

	As at December 31,			As at June 30,
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Current liabilities				
Accounts payable				
– Third party creditors	116,446	190,694	200,639	168,757
– Related parties	97	–	–	–
	<u>116,543</u>	<u>190,694</u>	<u>200,639</u>	<u>168,757</u>
Acquisition costs payable for Esports licenses and contracts	40,000	–	–	–
Acquisition costs payable for AVSP license	–	47,170	12,170	12,170
Esports licenses fee payables	16,000	16,000	–	–
Acquisition cost payable for an associate	–	15,000	–	–
Marketing and promotion fee payables	46,145	85,998	42,897	40,559
Employee benefits payables	46,580	118,807	157,809	83,907
Other taxes payable	23,717	22,470	34,348	5,895
Listing expenses payable	–	25,333	27,235	21,680
Others	12,478	12,457	26,697	32,979
	<u>184,920</u>	<u>343,235</u>	<u>301,156</u>	<u>197,190</u>
Total other payables				
	<u>184,920</u>	<u>343,235</u>	<u>301,156</u>	<u>197,190</u>
Total accounts and other payables	<u>301,463</u>	<u>533,929</u>	<u>501,795</u>	<u>365,947</u>

Accounts payable are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of accounts and other payables are considered to be the same as their fair values, due to their short-term nature.

Accounts and other payables of the Target Group are denominated in the following currencies:

	As at December 31,			As at June 30,
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
RMB	290,575	498,685	470,117	335,456
US\$	10,873	30,144	31,569	27,053
HK\$	–	4,910	105	3,438
SGD	15	190	–	–
IDR	–	–	4	–
	<u>290,575</u>	<u>498,685</u>	<u>470,117</u>	<u>335,456</u>
	<u>10,873</u>	<u>30,144</u>	<u>31,569</u>	<u>27,053</u>
	<u>–</u>	<u>4,910</u>	<u>105</u>	<u>3,438</u>
	<u>15</u>	<u>190</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>4</u>	<u>–</u>
	<u>301,463</u>	<u>533,929</u>	<u>501,795</u>	<u>365,947</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

28 ACCOUNTS AND OTHER PAYABLES (CONTINUED)

Accounts payable and their aging analysis based on invoice date are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Up to 3 months	113,064	188,800	199,358	165,508
3 to 6 months	2,069	1,505	868	2,489
6 months to 1 year	1,410	389	413	760
	<u>116,543</u>	<u>190,694</u>	<u>200,639</u>	<u>168,757</u>

The Target Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current liabilities				
Other taxes payable	10,440	4,265	2,771	–
Listing expenses payable	–	25,333	27,235	21,680
Others	–	10,156	7,773	7,470
	<u>10,440</u>	<u>39,754</u>	<u>37,779</u>	<u>29,150</u>

Other payables of the Target Company are denominated in the following currencies:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
US\$	10,440	27,300	29,261	20,354
RMB	–	12,391	8,413	5,358
HK\$	–	63	105	3,438
	<u>10,440</u>	<u>39,754</u>	<u>37,779</u>	<u>29,150</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

29 BORROWINGS

The breakdown of borrowings are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Current and secured</i>				
Bank loan (Note)	46,500	–	–	–
<i>Current and unsecured</i>				
Bank loans (Note)	80,000	–	–	–
Total borrowings	<u>126,500</u>	<u>–</u>	<u>–</u>	<u>–</u>

Note:

As at December 31, 2020, the effective interest rates of these borrowings were 4.00% to 4.85% per annum.

Certain of the Target Group’s banking facilities are subject to the fulfillment of covenants relating to a subsidiary’s statement of financial position performance and results, as are commonly found in lending arrangements with financial institutions, including minimum current ratio, minimum debt to asset ratio, minimum assets to guarantee ratio, cap on borrowing from financial institutions and cap on acceptable decline in revenue and net profit. If the Target Group were to breach the covenants, the drawn down facilities would become payable on demand. The Target Group regularly monitors its compliance with these financial covenants. As at December 31, 2020, certain financial covenants (cap on acceptable decline in profit) as set out in these banking facilities were breached. The relevant subsidiary repaid the borrowings in April 2021. As at December 31, 2020, a building of the Target Group was pledged as collateral under a term loan with a principal amount of approximately RMB46,500,000. Corporate guarantee of a subsidiary was provided as pledged to secure obligations under this term loan.

As at December 31, 2020, personal guarantee by the director, Mr. Song Ke, was provided to all bank borrowings of the Target Group.

The carrying values of the borrowings approximate their fair value as at December 31, 2020. The interest rates under the loan agreements with the banks were determined based on the prevailing interest rates in the market.

30 CONTRACT LIABILITIES

The breakdown of contract liabilities are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities for value added services and audio entertainment	51,495	76,434	111,022	85,375
Contract liabilities from game and others	<u>6,462</u>	<u>4,096</u>	<u>4,027</u>	<u>1,261</u>
	<u>57,957</u>	<u>80,530</u>	<u>115,049</u>	<u>86,636</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

30 CONTRACT LIABILITIES (CONTINUED)

The abovementioned contract liabilities represented the contract liability in connection with the advances for the purchase of virtual items and advanced cash receipt for services including online marketing services and others. Revenue recognised from the contract liabilities for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023 was approximately RMB1,535,354,000, RMB2,788,428,000, RMB3,606,109,000 and RMB1,725,116,000 respectively.

All revenues of Track Record Period are for period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The movement of contract liabilities are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	15,772	57,957	80,530	115,049
Addition	1,577,539	2,811,001	3,640,628	1,696,703
Recognised as revenue	<u>(1,535,354)</u>	<u>(2,788,428)</u>	<u>(3,606,109)</u>	<u>(1,725,116)</u>
At end of year/period	<u>57,957</u>	<u>80,530</u>	<u>115,049</u>	<u>86,636</u>

31 DEFERRED INCOME TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheets.

Movements in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Provision for loss allowance	Lease	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2020	1,286	6,712	760	8,758
Credited/(charged) to consolidated income statements	<u>1,672</u>	<u>(1,414)</u>	<u>(170)</u>	<u>88</u>
	<u>2,958</u>	<u>5,298</u>	<u>590</u>	<u>8,846</u>
Offset of deferred tax liabilities pursuant to set-off provisions	<u>–</u>	<u>(4,622)</u>	<u>–</u>	<u>(4,622)</u>
Net deferred tax assets at December 31, 2020	<u>2,958</u>	<u>676</u>	<u>590</u>	<u>4,224</u>
At January 1, 2021	2,958	5,298	590	8,846
Credited to consolidated income statements	<u>1,321</u>	<u>27,106</u>	<u>3,318</u>	<u>31,745</u>
	<u>4,279</u>	<u>32,404</u>	<u>3,908</u>	<u>40,591</u>

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

31 DEFERRED INCOME TAX (CONTINUED)

	Provision for loss allowance RMB'000	Lease RMB'000	Others RMB'000	Total RMB'000
Offset of deferred tax liabilities pursuant to set-off provisions	–	(31,040)	–	(31,040)
Net deferred tax assets at December 31, 2021	4,279	1,364	3,908	9,551
At January 1, 2022	4,279	32,404	3,908	40,591
Charged to consolidated income statements	(2,091)	(6,489)	(418)	(8,998)
	<u>2,188</u>	<u>25,916</u>	<u>3,490</u>	<u>31,593</u>
Offset of deferred tax liabilities pursuant to set-off provisions	–	(23,789)	–	(23,789)
Net deferred tax assets at December 31, 2022	2,188	2,126	3,490	7,804
(Unaudited) At January 1, 2022	4,279	32,404	3,908	40,591
Charged to consolidated income statements	(2,085)	(3,500)	(385)	(5,970)
	<u>2,194</u>	<u>28,904</u>	<u>3,523</u>	<u>34,621</u>
Offset of deferred tax liabilities pursuant to set-off provisions	–	(27,354)	–	(27,354)
Net deferred tax assets at June 30, 2022	2,194	1,550	3,523	7,267
At January 1, 2023	2,188	25,916	3,490	31,594
Credited/(charged) to consolidated income statements	1,153	(3,368)	(1,176)	(3,391)
	<u>3,341</u>	<u>22,548</u>	<u>2,314</u>	<u>28,203</u>
Offset of deferred tax liabilities pursuant to set-off provisions	–	(20,285)	–	(20,285)
Net deferred tax assets at June 30, 2023	3,341	2,263	2,314	7,918

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

31 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The unrecognised deferred tax assets for tax losses as at December 31, 2020, 2021 and 2022 and June 30, 2023 are as the table as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Expiry date in:				
2022	2,743	–	–	–
2023	13,853	4,364	4,364	4,225
2024	13,517	2,957	2,956	2,953
2025	53,771	55,195	46,844	20,560
2026	–	118,043	117,510	95,624
2027	–	–	145,222	142,679
2028	–	–	–	60,927
No expiry dates	1,898	18,383	42,921	51,108
	<u>85,782</u>	<u>198,942</u>	<u>359,817</u>	<u>378,076</u>

Deferred income tax liabilities

	Lease	Acquired	Total
	RMB’000	intangible	RMB’000
	RMB’000	assets	RMB’000
	RMB’000	RMB’000	RMB’000
At January 1, 2020	6,183	–	6,183
Credited to consolidated income statements	(1,561)	–	(1,561)
	<u>4,622</u>	<u>–</u>	<u>4,622</u>
Offset of deferred tax assets pursuant to set-off provisions	(4,622)	–	(4,622)
Net deferred tax liabilities at December 31, 2020	<u>–</u>	<u>–</u>	<u>–</u>
At January 1, 2021	4,622	–	4,622
Business combination (Note 35(a))	–	5,705	5,705
Charged/(credited) to consolidated income statements	26,418	(676)	25,742
	<u>31,040</u>	<u>5,029</u>	<u>36,069</u>
Offset of deferred tax assets pursuant to set-off provisions	(31,040)	–	(31,040)
Net deferred tax liabilities at December 31, 2021	<u>–</u>	<u>5,029</u>	<u>5,029</u>
At January 1, 2022	31,040	5,029	36,069
Business combination (Note 35(b))	–	669	669
Credited to consolidated income statements	(7,251)	(962)	(8,213)
	<u>23,789</u>	<u>4,736</u>	<u>28,525</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

31 DEFERRED INCOME TAX (CONTINUED)

	Lease RMB'000	Acquired intangible assets RMB'000	Total RMB'000
Offset of deferred tax assets pursuant to set-off provisions	(23,789)	–	(23,789)
Net deferred tax liabilities at December 31, 2022	–	4,736	4,736
(Unaudited)			
At January 1, 2022	31,040	5,029	36,069
Credited to consolidated income statements	(3,686)	207	(3,479)
	<u>27,354</u>	<u>5,236</u>	<u>32,590</u>
Offset of deferred tax assets pursuant to set-off provisions	(27,354)	–	(27,354)
Net deferred tax liabilities at June 30, 2022	–	5,236	5,236
At January 1, 2023	23,789	4,736	28,525
Credited to consolidated income statements	(3,504)	(499)	(4,003)
	<u>20,285</u>	<u>4,237</u>	<u>24,522</u>
Offset of deferred tax assets pursuant to set-off provisions	(20,285)	–	(20,285)
Net deferred tax liabilities at June 30, 2023	–	4,237	4,237

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Target Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC.

During the Track Record Period, deferred tax liabilities of approximately RMB12,875,000, RMB13,243,000, RMB28,923,000 and RMB48,146,000 have not been recognised for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the related unremitted earnings totalled approximately RMB257,494,000, RMB264,869,000, RMB578,451,000 and RMB962,911,000 and the Target Group did not intend to remit these unremitted earnings from the relevant subsidiaries to the Target Company in the foreseeable future.

32 CONVERTIBLE NOTE

On April 22, 2020, the Target Group issued a convertible note with a coupon rate of 8% per annum at a total principal amount of approximately US\$25,000,000, equivalent to RMB176,988,000. The convertible note had a maturity date of 180 days from the issue date. The conversion period covers the period commencing on the date of issue of the convertible note ending on the maturity date. The conversion price is calculated by US\$215,000,000 divided by the total number of outstanding shares of the Target Company immediately prior to the conversion of this convertible note, calculated on a fully diluted basis.

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32 CONVERTIBLE NOTE (CONTINUED)

The conversion features of the convertible note do not meet the fixed-to-fixed requirement for equity classification. The convertible note was classified as a financial liability and designated as financial liabilities at fair value through profit or loss.

The convertible note was within Level 3 of the fair value hierarchy. The movements of convertible note are as follows:

	<i>RMB’000</i>
As at January 1, 2020	
Issuance of convertible note	176,988
Changes in fair value through profit or loss	–
Transfer to consideration of Series A Preferred Shares	(176,988)
	–
As at December 31, 2020	–

33 CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Target Company has completed several rounds of financing by issuing Preferred Shares to investors, namely, series A Preferred Shares, series B Preferred Shares, series B+ Preferred Shares and series C Preferred Shares (collectively referred as the “Preferred Shares”).

The details of the issuance are set out in the table as follows:

	<i>Note</i>	Date of Issuance	Date of receipt (Note (a))	Date of redemption (Note (b))	Purchase price (US\$/Share)	Number of shares
Series A Preferred Shares		November 11, 2020	November 13, 2020	November 13, 2024	2.02	23,386,682
Series B Preferred Shares		December 10, 2020	December 28, 2020	December 28, 2024	3.08	12,992,601
Series B+ Preferred Shares		December 29, 2020	December 30, 2020	December 30, 2024	3.85	5,197,041
Series C Preferred Shares		June 15, 2021	June 17, 2021	June 17, 2024	6.62	6,802,686
Series C Preferred Shares	<i>23(iii)</i>	June 15, 2021	N/A	June 14, 2024	5.30	2,828,336
						51,207,346

Notes:

- (a) Refer to the date on which the Target Group has received all the issue price for its Series A, B, B+ and C Preferred Shares.
- (b) Refer to the date that the holders of Series A, B, B+ and C Preferred Shares can exercise the redemption rights if the Target Group failed to complete a Qualified Listing within the specified period of 3 or 4 years. For details, please refer to Note 33(d) below.

The key terms of the Preferred Shares are summarised as follows:

(a) Dividends rights

No dividends or other distributions shall be made or declared, whether in cash, in property, or in any other shares of the Target Company, unless and until dividends have been paid in full on the Preferred Shares. The holders of preferred shares have the right to receive non-cumulative dividends, on an as-converted basis, when, as and if declared by the Board.

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33 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(b) Conversion feature

The Series A, B, B+ and C preferred shares are convertible, at the option of the holders at any time after the original issue date of the relevant series of preferred shares into such number of fully paid and non-assessable ordinary shares. Each preferred share shall also be automatically converted into ordinary shares of the Target Company at the then effective conversion price upon the closing of a qualified listing ("Qualified Listing"). A Qualified Listing means (i) public offering of ordinary Shares of the Target Company (or securities representing such ordinary Shares) registered under the Securities Act at a specified implied post-money valuation or more, or in a similar public offering of ordinary Shares, or (ii) a De-SPAC transaction with a special purpose acquisition company other than Vision Deal where the Target Company has a specified market capitalization calculated based on the number of ordinary shares of the Target Company in issue upon completion of the De-SPAC transaction multiplied by the issue price per ordinary share of the Target Company to be subscribed by PIPE investors pursuant to PIPE investment agreements which form part of the De-SPAC transaction, transaction, in a jurisdiction and on an internationally recognized securities exchange or inter-dealer quotation system outside of the United States, including the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Stock Exchange of Hong Kong Limited or such other stock exchange, which shall be approved by the holder(s) representing at least fifty percent (50%) of the voting power of the then outstanding Preferred Shares (voting together as a single class and calculated on an as-converted basis) and the holder(s) representing more than fifty percent (50%) of ordinary Shares issued and outstanding or (iii) a De-SPAC transaction with Vision Deal where the Target Company has a specified market capitalization calculated based on the number of ordinary shares of the Target Company in issue upon completion of the De-SPAC transaction multiplied by the issue price per ordinary share of the Target Company to be subscribed by PIPE investors pursuant to PIPE investment agreements which form part of the De-SPAC transaction on the Stock Exchange, provided the public offering mentioned in (i) is equivalent to the aforementioned in terms of offering proceeds and regulatory approval. The right to nominate senior management granted to the relevant Pre-Listing Investors which the Board is not contractually obligated to approve will survive Listing.

(c) Voting rights

The holders of preferred shares are entitled the right to the number of votes equal to the number of ordinary shares into which preferred shares could be converted at the record date for determination of the members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited, such votes to be counted together with all other shares of the Target Company having general voting power and not counted separately as a class. Holders of the ordinary shares and preferred shares shall be entitled to notice of any members' meeting in accordance with these articles, and except as otherwise set forth in these articles, shall vote together and not as separate classes.

For Series A, B, B+ and C preferred shares, the redemption price shall be equal to the respective preferred shares' issue price compounded with an interest rate of 8% per annum, plus all declared but unpaid dividends thereon up to the date of redemption.

For Series C preferred shares, the redemption price shall be equal to the respective preferred shares' issue price compounded with an interest rate of 8% per annum, plus all declared but unpaid dividends thereon up to the date of redemption; or the fair market value of the Series C Preferred Shares then held by the holder thereof, which shall be determined independently through a third party selected by such holder and the Target Company.

(d) Redemption feature

Redemption shall occur upon (i) material breach by the Target Group or the key parties as defined in the agreement; (ii) material breach of the restructuring agreement or any material adverse change in the regulatory environment; (iii) failure of completing a Qualified Listing within 4 years (For Series C preferred shares: 3 years) from the date of receipt of issue price of the preferred shares; (iv) the principal business taken as a whole is suspended or terminated; (v) the occurrence of any non-compliance with the applicable laws, regulations, rules or policies which may result in material adverse effect to the Target Group; (vi) non-compliance and/or claim in connection with the prior restructuring; (vii) occurrence of any dishonest, fraud on the Target Group of any key party as defined in the agreement; and (viii) any other holder of preferred shares requests redemption of all or any part of the outstanding preferred shares held by such holder. Since the event (viii) is triggered by the occurrence of events (i) to (vii), the management expects that the events (i) to (vii) are not likely to occur in the foreseeable future, and therefore the event (viii) is considered not likely to occur in the foreseeable future.

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33 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(d) Redemption feature (Continued)

The redemption rights have been suspended pursuant to the amended shareholders agreement on June 14, 2023 and supplemented by the amended shareholders agreement on December 8, 2023 and shall resume to be exercisable upon the earliest of (i) the withdrawal of the listing application by the Target Company and the reapplication is not made within one month (or such longer period as the holders of the Series C Preferred Shares, the Series B+ Preferred Shares, the Series B Preferred Shares and the Series A Preferred Shares then outstanding and the Target Company agree in writing); (ii) the rejection of the listing application by The Stock Exchange of Hong Kong Limited; or (iii) the expiry of 39 months from the day of the first filing (which is January 19, 2025) of the listing application by the Target Company if no Qualified Listing has been consummated by then (or such later date as the holders of the Series C Preferred Shares, the Series B+ Preferred Shares, the Series B Preferred Shares and the Series A Preferred Shares then outstanding and the Target Company agree in writing). All other special rights (except the right to nominate senior management) of the relevant investors will be automatically terminated upon the completion of a Qualified Listing in Hong Kong. The right to nominate senior management granted to the relevant investors will survive listing.

(e) Liquidation rights

Upon the occurrence of any liquidation event, whether voluntary or involuntary, all assets and funds of the Target Company legally available for distribution shall be distributed to the shareholders in the following order:

- (1) First, each holder of Series C preferred shares shall be entitled to receive, on parity with each other, an amount per share equal to 150% of the original issue price (“Series C Liquidation Preference Amount”).
- (2) Second, after setting aside or paying in full the Series C Liquidation Preference Amount, each holder of Series B+ preferred share shall be entitled to receive, on parity with each other, an amount per share equal to 150% of the original issue price (“Series B+ Liquidation Preference Amount”).
- (3) Thirdly, after setting aside or paying in full the Series C Liquidation Preference Amount and Series B+ Liquidation Preference Amount, each holder of Series B preferred share shall be entitled to receive, on parity with each other, an amount per share equal to 150% of the original issue price (“Series B Liquidation Preference Amount”).
- (4) Fourthly, after setting aside or paying in full the Series C Liquidation preference Amount, Series B+ Liquidation Preference Amount and Series B Liquidation Preference Amount, each holder of Series A preferred share shall be entitled to receive, on parity with each other, an amount per share equal to 150% of the original issue price (“Series A Liquidation Preference Amount”).

The subscribers of the Preferred Shares have rights to require the Target Company to distribute compulsory payment to the holders of the Preferred Shares with preference upon the occurrence of a liquidation or deemed liquidation event. Upon request by the subscribers for a compulsory payment, the Target Company has the legal obligation to repay the holders of Preferred Shares at the price pursuant to the terms as defined in the relevant agreements with the subscribers of Preferred Shares.

The movements of the convertible redeemable preferred shares are set out as follows:

	<i>RMB’000</i>
At January 1, 2020	–
Issuance of Series A, B and B+ Preferred Shares	699,437
Change in fair value	53,075
Change in fair value due to own credit risk	(3,649)
Currency translation differences	(2,670)
	746,193
At December 31, 2020	746,193

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33 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(e) Liquidation rights (Continued)

	<i>RMB’000</i>
At January 1, 2021	746,193
Issuance of Series C Preferred shares	290,703
Re-designation of Series C Preferred Shares from ordinary shares (<i>Note 23(iii)</i>)	120,867
Change in fair value	1,326,311
Change in fair value due to own credit risk	4,598
Currency translation differences	(40,027)
	<hr/>
At December 31, 2021	2,448,645
	<hr/> <hr/>
At January 1, 2022	2,448,645
Change in fair value	64,129
Change in fair value due to own credit risk	(10,239)
Currency translation differences	227,586
	<hr/>
At December 31, 2022	2,730,121
	<hr/> <hr/>
(Unaudited)	
At January 1, 2022	2,448,645
Change in fair value	6,369
Change in fair value due to own credit risk	(7,856)
Currency translation differences	128,877
	<hr/>
At June 30, 2022	2,576,035
	<hr/> <hr/>
At January 1, 2023	2,730,121
Change in fair value	71,289
Change in fair value due to own credit risk	24,526
Currency translation differences	106,550
	<hr/>
At June 30, 2023	2,932,486
	<hr/> <hr/>

As at June 30, 2023, the balance of Series C Preferred Shares amounting to approximately RMB617,536,000 were reclassified as current liability in view of their earliest possible redemption commencement date fall within the next twelve months.

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33 CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

(e) Liquidation rights (Continued)

The Target Group applied the discount cash flow method to determine the underlying equity value of the Target Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out as follows:

	As at December 31,		As at June 30,	
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Discount rate	16%	15%	15%	15%
Risk-free interest rate	3%	1%	5%	5%
DLOM	20%	8%	20%	12%
Volatility	49%	55%	60%	60%
Probability of redemption	40%	20%	40%	30%
Probability of liquidation	10%	10%	10%	10%

Discount rate (post-tax) were determined considering the risk-free rate, industry-average correlated relative volatility coefficient, or beta, equity risk premium, country risk premium, size of the company, scale of business and ability in achieving forecast projections. Five publicly traded companies in the U.S. and one publicly traded company in Hong Kong were selected for reference as the guideline companies in determining the discount rate. The DLOM was estimated based on the Black-Scholes put option model. Black-Scholes put option model was used because it incorporates certain company-specific factors, including timing of the expected listing and the volatility of the share price of the guideline companies. Volatility was estimated based on annualised standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term. Probability weight among redemption, liquidation and listing scenarios was based on the Target Company’s best estimates. In addition to the assumptions adopted above, the Target Company’s projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

Changes in fair value of Preferred Shares were recorded in “fair value changes on convertible redeemable preferred shares” in the consolidated income statements, and the fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are recorded in other comprehensive loss.

34 CONVERTIBLE PREFERRED SHARES

The details of the issuance are set out in the table as follows:

	Date of Issuance	Purchase price (US\$/Share)	Number of shares
Series Angel Preferred Shares	November 11, 2020	0.0001	17,723,079
Series Angel Preferred Shares	March 19, 2021 (<i>Note</i>)	0.0001	10,440,854
			28,163,933

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34 CONVERTIBLE PREFERRED SHARES (CONTINUED)

Note:

Series Angel Preferred Shares owned by Dream League Limited ("Dream League"), a company owned by a few non-managerial shareholders, was agreed to be issued by all shareholders of the Target Company on November 11, 2020 but subsequently issued on March 19, 2021. The time gap between issuance date and date of recapitalisation is caused by the administration time use by the relevant non-managerial shareholders to complete the statutory registration required by PRC the State Administration of Taxation in accordance with Announcement No. 7 2015, which require all PRC residents to register their investment in foreign companies which owns equity interests in PRC entities. Given that the Target Company committed and reserved the Series Angel Preferred Shares to Dream League, the Target Company believes that Dream League is entitled to legal rights conferred by the Series Angel Preferred Shares. These Series Angel Preferred Shares to be issued to Dream League should be credited on November 2020, regardless of whether these Series Angel Preferred Shares certificate has been issued.

The key terms of the convertible preferred shares are summarised as follows:

(a) Dividends rights

No dividends or other distributions shall be made or declared, whether in cash, in property, or in any other shares of the Target Company, unless and until dividends have been paid in full on the convertible preferred shares. The holders of preferred shares have the right to receive non-cumulative dividends, on an as-converted basis, when, as and if declared by the Board.

(b) Conversion feature

Series Angel preferred shares are convertible, at the option of the holders at any time after the original issue date of the preferred shares into such number of fully paid and non-assessable ordinary shares. Each preferred share shall also be automatically converted into ordinary shares of the Target Company at the then effective conversion price upon the closing of a qualified listing ("Qualified Listing"). For Angel preferred shares, a Qualified Listing means the ordinary shares of the Target Company has been registered under the applicable securities laws with net proceeds to the company of at least approximately US\$88,000,000 and an implied pre-money valuation of approximately US\$880,000,000.

The number of ordinary shares of the Target Company to which a holder shall be entitled upon conversion of any preferred share shall be the quotient of the applicable original issue price divided by the then effective applicable conversion price. No adjustment in the conversion price for any series of preferred shares shall be made in respect of the issuance of additional ordinary shares unless the consideration per share for an additional ordinary share issued or deemed to be issued by the Target Company is less than the conversion price for such series in effect on the date of and immediately prior to such issuance. Further, adjustments of conversion ratios may arise from share dividend, subdivision, combinations or consolidation of ordinary shares of the Target Company, other distribution, reclassification, exchange and substitution.

(c) Voting rights

The holders of the convertible preferred shares are entitled the right to the number of votes equal to the number of ordinary shares into which the convertible preferred shares could be converted at the record date for determination of the members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited, such votes to be counted together with all other shares of the Target Company having general voting power and not counted separately as a class. Holders of the ordinary shares and preferred shares shall be entitled to notice of any members' meeting in accordance with these articles, and except as otherwise set forth in these articles, shall vote together and not as separate classes.

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34 CONVERTIBLE PREFERRED SHARES (CONTINUED)

(d) Liquidation rights

Upon the occurrence of any liquidation event, whether voluntary or involuntary, all assets and funds of the Target Company legally available for distribution shall be distributed to the shareholders in the following order:

- (1) First, each holder of Series C preferred shares shall be entitled to receive, on parity with each other, an amount per share equal to 150% of the original issue price (“Series C Liquidation Preference Amount”).
- (2) Second, after setting aside or paying in full the Series C Liquidation Preference Amount, each other of Series B+ preferred share shall be entitled to receive, on parity with each other, an amount per share equal to 150% of the original issue price (“Series B+ Liquidation Preference Amount”).
- (3) Thirdly, after setting aside or paying in full the Series C Liquidation Preference Amount and Series B+ Liquidation Preference Amount, each other of Series B preferred share shall be entitled to receive, on parity with each other, an amount per share equal to 150% of the original issue price (“Series B Liquidation Preference Amount”).
- (4) Fourthly, after setting aside or paying in full the Series C Liquidation preference Amount, Series B+ Liquidation Preference Amount and Series B Liquidation Preference Amount, each other of Series A preferred share shall be entitled to receive, on parity with each other, an amount per share equal to 150% of the original issue price (“Series A Liquidation Preference Amount”).
- (5) Fifthly, after setting aside or paying in full the Series C Liquidation preference Amount, Series B+ Liquidation Preference Amount, Series B Liquidation Preference Amount and Series A Liquidation Preference Amount, each other of Series Angel preferred share shall be entitled to receive, on parity with each other, an amount per share equal to 100% of the original issue price (“Series Angel Liquidation Preference Amount”).

The subscribers of the convertible preferred shares have rights to require the Target Company to distribute compulsory payment to holders of the convertible preferred shares with preference upon the occurrence of a liquidation or deemed liquidation event. Upon request by the subscribers for a compulsory payment, the Target Company has the legal obligation to repay the holders of the convertible preferred shares at the price pursuant to the terms as defined in the relevant agreements with the holders of the convertible preferred shares.

The movements of the convertible preferred shares are set out as follows:

	<i>RMB'000</i>
At January 1, 2020	–
Re-designation of Series Angel Preferred Shares from ordinary shares (<i>Note 23(ii)</i>)	210,984
Change in fair value	109,649
Currency translation differences	(5,907)
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At December 31, 2020	314,726
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34 CONVERTIBLE PREFERRED SHARES (CONTINUED)

	<i>RMB’000</i>
At January 1, 2021	314,726
Change in fair value	939,441
Currency translation differences	(19,243)
	<u>1,234,924</u>
At December 31, 2021	<u>1,234,924</u>
At January 1, 2022	1,234,924
Change in fair value	12,664
Currency translation differences	114,524
	<u>1,362,112</u>
At December 31, 2022	<u>1,362,112</u>
(Unaudited)	
At January 1, 2022	1,234,924
Change in fair value	(40,087)
Currency translation differences	63,597
	<u>1,258,434</u>
At June 30, 2022	<u>1,258,434</u>
At January 1, 2023	1,362,112
Change in fair value	83,424
Currency translation differences	54,707
	<u>1,500,243</u>
At June 30, 2023	<u>1,500,243</u>

The Target Group applied the discounted cash flow method to determine the underlying equity value of the Target Company and adopted equity allocation model to determine the fair value of the convertible preferred shares. Key assumptions are set as follows:

	As at December 31,			As at June 30,	
	2020	2021	2022	2023	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	
Discount rate	16%	15%	15%	15%	
Risk-free interest rate	3%	1%	5%	5%	
DLOM	20%	8%	20%	12%	
Volatility	49%	55%	60%	60%	
Probability of liquidation	10%	10%	10%	10%	

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

34 CONVERTIBLE PREFERRED SHARES (CONTINUED)

Discount rate (post-tax) was determined considering the risk-free rate, industry-average correlated relative volatility coefficient, or beta, equity risk premium, country risk premium, size of the company, scale of business and ability in achieving forecast projections. Five publicly traded companies in the U.S. and one publicly traded company in Hong Kong were selected for reference as the guideline companies in determining the discount rate. The DLOM was estimated based on the Black-Scholes put option model. Black-Scholes put option model was used because it incorporates certain company-specific factors, including timing of the expected listing and the volatility of the share price of the guideline companies. Volatility was estimated based on annualised standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term. Probability weight among redemption, liquidation and listing scenarios was based on the Target Company’s best estimates. In addition to the assumptions adopted above, the Target Company’s projections of future performance were also factored into the determination of the fair value of convertible preferred shares on each valuation date.

Changes in fair value of convertible preferred shares were recorded in “fair value changes on convertible preferred shares” in the consolidated income statements, and the fair value changes in the convertible preferred shares that are attributable to changes of credit risk of this liability are recorded in other comprehensive loss.

35 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Uki Holding Limited

In April 2021, the Target Group entered into a sale and purchase agreement with Uki Holding Limited and its subsidiaries (“Uki Group”) and its shareholders to purchase 100% equity interests of certain subsidiaries of Uki Group. Uki Group is mainly engaged in the operation of a mobile application chatting platform called “Uki”.

The acquisition was determined to be a business combination.

The following table summarises the total purchase consideration for acquiring Shanghai Chenlong Information Technology Co., Limited of Uki Group, the fair value of assets acquired, liabilities assumed at the acquisition date:

	April 7, 2021
	<i>RMB’000</i>
Consideration paid and payable at acquisition date	
Cash consideration	2,103
Ordinary shares issued	49,866
Waiver of loan receivables from company owned by beneficial owners of acquiree	10,138
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Total purchase consideration	62,107
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Recognised amounts of identifiable assets acquired and liabilities assumed	
Intangible assets	28,527
Cash and cash equivalents	512
Accounts receivable	152
Other receivables and prepayments	2,442
Accounts payable	(2,851)
Other payables and accruals	(4,588)
Contract liabilities	(1,172)
Deferred tax liabilities	(5,705)
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Total identifiable net assets acquired	17,317
Goodwill	44,790
	<hr/>
	62,107
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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

35 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of Uki Holding Limited (Continued)

	April 7, 2021 <i>RMB’000</i>
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	2,103
Less: Cash and cash equivalents acquired	(512)
Net outflow of cash – investing activities	<u>1,591</u>

Revenue and profit contribution

The acquired business contributed revenues of approximately RMB42,944,000 and net loss of approximately RMB34,417,000 to the Target Group for the period from April 8, 2021 to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated pro-forma revenue and net loss for the year ended December 31, 2021 would have been approximately RMB58,487,000 and RMB46,874,000 respectively.

The goodwill of approximately RMB44,790,000 recognised represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired and is attributable to the synergies expected from leveraging the Target Group industry expertise with Uki’s customer database and assembled workforce, and increase the Target Group’s revenue and market share. None of the goodwill recognised is expected to be deductible for income tax purposes.

(b) Acquisition of Changya application

In February 2022, the Target Group entered into a sales and purchase agreement with Beijing Pobizhe Technology Company Limited to acquire certain fixed assets and intangible assets, assembled work force the database and application of Changya, which is a mobile application for online chatting.

The acquisition was determined to be business combination as it is an acquisition of a CGU.

The following table summarises the total purchase consideration for acquiring Changya, the fair value of assets acquired, liabilities assumed at the acquisition date:

	February 25, 2022 <i>RMB’000</i>
Consideration paid and payable at acquisition date	
Cash consideration	18,052
Total purchase consideration	<u>18,052</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Deferred tax liabilities	(669)
Property and equipment	87
Intangible assets	3,259
Total identifiable net assets acquired	2,677
Goodwill	15,375
	<u>18,052</u>

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35 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of Changya application (Continued)

	February 25, 2022 RMB’000
Outflow of cash to acquire Changya application, net of cash acquired	
Cash consideration	18,052
Less: Cash and cash equivalents acquired	–
Net outflow of cash – investing activities	<u>18,052</u>

Revenue and profit contribution

The acquired business contributed revenues of approximately RMB4,207,000 and net loss of approximately RMB11,684,000 to the Target Group for the period from February 25, 2022, to December 31, 2022. If the acquisition had occurred on January 1, 2022, consolidated pro-forma revenue and net loss for year ended December 31, 2022 would have been approximately RMB4,953,000 and RMB13,757,000 respectively.

The goodwill of approximately RMB15,375,000 recognised represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired and is attributable to the synergies expected from leveraging the Target Group industry expertise with Changya’s database, and increase the Target Group’s revenue and market share. None of the goodwill recognised is expected to be deductible for income tax purposes.

36 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,			Six months ended June 30,	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000	2023 RMB’000
(Loss)/profit before income tax expenses	(141,130)	(2,484,904)	577,948	329,379	201,593
Adjustments for:					
Depreciation of property and equipment	4,178	7,493	12,065	5,879	6,531
Depreciation of right-of-use assets	7,329	22,693	29,004	14,744	14,018
Write off of property, plant and equipment	–	2,538	30	12	–
Amortisation of intangible assets	24,696	39,869	49,433	24,646	25,768
Net impairment losses/(reversal of impairment losses)	6,587	5,284	(5,114)	(7,684)	4,653
Share-based compensation expenses	108,222	167,212	67,153	34,722	51,516
Net loss on disposal of property and equipment	17	1,347	11	40	48
Net loss/(gain) on disposal of intangible assets	2,424	82	(33)	(33)	256
Net gain on derecognition of assets of a disposal group held-for-sale	–	–	–	–	(4,217)

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36 CASH FLOW INFORMATION (CONTINUED)

(a) Cash generated from operations (Continued)

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Net loss on disposal of investments					
in associates and subsidiaries	501	340	–	–	–
Share of net loss of associates	831	7,464	3,887	2,008	2,752
Fair value change of convertible					
redeemable preferred shares	53,075	1,326,311	64,129	6,369	71,289
Fair value change of convertible					
preferred shares	109,649	939,441	12,664	(40,087)	83,424
Fair value losses/(gains) on					
financial assets at fair value					
through profit or loss	8,707	(6,421)	(2,721)	4,817	(22,015)
Fair value (gains)/losses on					
investment properties	(680)	(710)	1,390	1,070	(80)
Finance income, net	(4,303)	(1,699)	(10,550)	(1,522)	(15,140)
Gain on termination of leases	(21)	(1,873)	–	–	–
Gain on derecognition of					
right-of-use assets under a					
finance sublease	–	(258)	–	–	–
Changes in working capital:					
(Increase)/decrease in trade and					
other receivables	(31,367)	(54,842)	(12,999)	(14,289)	11,831
Decrease/(increase) in amount due					
from related parties	15,003	(5,775)	–	–	–
Decrease in amounts due to					
related parties	(6,526)	–	–	–	–
(Increase)/decrease in prepayments	(8,591)	(15,881)	(12,197)	3,526	29,847
Increase/(decrease) in accounts					
payable	3,579	71,300	9,945	(5,524)	(40,267)
Increase/(decrease) in contract					
liabilities	42,185	21,401	34,519	13,900	(28,413)
Increase/(decrease) in other					
payables and accruals	71,527	137,211	(50,550)	(153,478)	(88,719)
Increase in restricted cash	–	(638)	–	–	–
Cash generated from operations	<u>265,892</u>	<u>176,985</u>	<u>768,014</u>	<u>218,495</u>	<u>304,675</u>

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of cash used in purchase of intangible assets (including Esports licenses and contracts)

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Total intangible assets addition during the year/period	222,720	86,355	19,192	9,499	18,716
Add: Prepaid acquisition cost for intangible assets	1,000	–	–	–	–
Less: Utilisation of prepaid acquisition cost for intangible assets	(5,300)	(1,000)	(888)	(888)	–
Less: Unpaid consideration for acquisition of intangible assets	(56,000)	(53,965)	(11,414)	(2,387)	(8,386)
Add: Payment of unpaid consideration previously recognised under other payables	21,000	40,000	–	–	–
Add: Payment allocated to value-added tax recoverable	3,469	1,217	–	–	–
Cash used in purchase of intangible assets during the year/period	<u>186,889</u>	<u>72,607</u>	<u>6,890</u>	<u>6,224</u>	<u>10,330</u>

(c) Disposal of property and equipment

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Loss on disposals	(17)	(1,347)	(11)	(40)	(48)
Net book value of:					
– disposed property and equipment	<u>271</u>	<u>1,335</u>	<u>969</u>	<u>255</u>	<u>232</u>
Cash generated from disposal of property and equipment	<u>254</u>	<u>(12)</u>	<u>958</u>	<u>215</u>	<u>184</u>

(d) Disposal of intangible assets

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
(Loss)/gain on disposals	(2,424)	(82)	33	33	(256)
Net book value of:					
Disposed intangible assets	<u>4,443</u>	<u>7,290</u>	<u>2,021</u>	<u>917</u>	<u>2,440</u>
Cash generated from disposal of intangible assets	<u>2,019</u>	<u>7,208</u>	<u>2,054</u>	<u>950</u>	<u>2,184</u>

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36 CASH FLOW INFORMATION (CONTINUED)

(e) Reconciliation of repurchase of ordinary shares

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Consideration	104,398	19,929	–	–	–
Less: unpaid consideration recognised in amounts due to related parties	(35,234)	–	–	–	–
Less: unpaid withholding tax recognised in other payables	(10,438)	–	–	–	–
Add: payment of unpaid consideration and withholding tax in prior period	–	45,672	–	–	–
	<u>–</u>	<u>45,672</u>	<u>–</u>	<u>–</u>	<u>–</u>
Cash used in payment of repurchase of ordinary shares	<u>58,726</u>	<u>65,601</u>	<u>–</u>	<u>–</u>	<u>–</u>

(f) Reconciliation of cash generated from issuance of convertible redeemable preferred shares

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Issuance of convertible redeemable preferred shares	699,437	290,703	–	–	–
Less: transferred from convertible notes	(176,988)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Cash generated from issuance of convertible redeemable preferred shares	<u>522,449</u>	<u>290,703</u>	<u>–</u>	<u>–</u>	<u>–</u>

(g) Other non-cash transactions

During the year ended December 31, 2020, approximately RMB2,000,000 acquisition cost payable for acquisition of an unlisted equity investment recognised as financial asset measured at fair value through profit or loss was unpaid and recognised under other payables.

During the year ended December 31, 2021, approximately RMB15,000,000 acquisition cost payable for acquisition of an associate, approximately RMB47,173,000 acquisition cost payable for acquisition of subsidiaries and approximately RMB3,019,000 acquisition cost payable for Esports players’ right were unpaid and recognised under other payables.

During the year ended December 31, 2022, approximately RMB2,387,000 acquisition cost payable for Esports players right were unpaid and recognised under accounts payable.

During the six months ended June 30, 2022, approximately RMB2,387,000 acquisition cost payable for Esports players right were unpaid and recognised under accounts payable.

During the six months ended June 30, 2023, approximately RMB8,386,000 acquisition cost payable for Esports players right were unpaid and recognised under accounts payable.

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36 CASH FLOW INFORMATION (CONTINUED)

(h) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities					
	Convertible redeemable preferred shares	Convertible notes	Convertible preferred shares	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities from financing activities as at January 1, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,849</u>	<u>-</u>	<u>26,849</u>
Cash flows	522,449	176,988	12	(7,703)	126,500	818,246
Conversion to Series A preferred shares	163,125	(163,125)	-	-	-	-
Re-designation of Series Angel Preferred Shares from ordinary shares	-	-	211,978	-	-	211,978
Fair value changes on convertible redeemable preferred shares	53,075	-	-	-	-	53,075
Fair value change due to own credit risk	(3,649)	-	-	-	-	(3,649)
Fair value changes on convertible preferred shares	-	-	109,649	-	-	109,649
Foreign exchange adjustments	11,193	(13,863)	(6,913)	-	-	(9,583)
Lease	-	-	-	2,047	-	2,047
Liabilities from financing activities as at December 31, 2020	<u>746,193</u>	<u>-</u>	<u>314,726</u>	<u>21,193</u>	<u>126,500</u>	<u>1,208,612</u>
Liabilities from financing activities as at December 31, 2020	746,193	-	314,726	21,193	126,500	1,208,612
Cash flows	290,703	-	-	(22,634)	(126,500)	141,569
Re-designation of Series C Preferred Shares from ordinary shares	120,867	-	-	-	-	120,867
Fair value changes on convertible redeemable preferred shares	1,326,311	-	-	-	-	1,326,311
Fair value change due to own credit risk	4,598	-	-	-	-	4,598
Fair value changes on convertible preferred shares	-	-	939,441	-	-	939,441
Foreign exchange adjustments	(40,027)	-	(19,243)	-	-	(59,270)
Lease	-	-	-	131,058	-	131,058
Liabilities from financing activities as at December 31, 2021	<u>2,448,645</u>	<u>-</u>	<u>1,234,924</u>	<u>129,617</u>	<u>-</u>	<u>3,813,186</u>

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36 CASH FLOW INFORMATION (CONTINUED)

(h) Reconciliation of liabilities generated from financing activities (Continued)

	Liabilities from financing activities				
	Convertible redeemable preferred shares RMB'000	Convertible preferred shares RMB'000	Lease liabilities RMB'000	Total RMB'000	
	Liabilities from financing activities as at December 31, 2021				
	2,448,645	1,234,924	129,617	3,813,186	
Cash flows	–	–	(30,773)	(30,773)	
Fair value changes on convertible redeemable preferred shares	64,129	–	–	64,129	
Fair value change due to own credit risk	(10,239)	–	–	(10,239)	
Fair value changes on convertible preferred shares	–	12,664	–	12,664	
Foreign exchange adjustments	227,586	114,524	–	342,110	
Interest element of lease liabilities	–	–	4,816	4,816	
	<u>2,730,121</u>	<u>1,362,112</u>	<u>103,660</u>	<u>4,195,893</u>	

	Liabilities from financing activities				
	Convertible redeemable preferred shares RMB'000	Convertible preferred shares RMB'000	Lease liabilities RMB'000	Total RMB'000	
	(Unaudited)				
	Liabilities from financing activities as at December 31, 2021				
2,448,645	1,234,924	129,617	3,813,186		
Cash flows	–	–	(16,551)	(16,551)	
Fair value changes on convertible redeemable preferred shares	6,369	–	–	6,369	
Fair value change due to own credit risk	(7,856)	–	–	(7,856)	
Fair value changes on convertible preferred shares	–	(40,087)	–	(40,087)	
Foreign exchange adjustments	128,877	63,597	–	192,474	
Interest element of lease liabilities	–	–	2,553	2,553	
	<u>2,576,035</u>	<u>1,258,434</u>	<u>115,619</u>	<u>3,950,088</u>	

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36 CASH FLOW INFORMATION (CONTINUED)

(h) Reconciliation of liabilities generated from financing activities (Continued)

	Liabilities from financing activities			
	Convertible redeemable preferred shares <i>RMB'000</i>	Convertible preferred shares <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
Liabilities from financing activities as at December 31, 2022	2,730,121	1,362,112	103,660	4,195,893
Cash flows	–	–	(15,479)	(15,479)
Fair value changes on convertible redeemable preferred shares	71,289	–	–	71,289
Fair value change due to own credit risk	24,526	–	–	24,526
Fair value changes on convertible preferred shares	–	83,424	–	83,424
Foreign exchange adjustments	106,550	54,707	–	161,257
Interest element of lease liabilities	–	–	2,008	2,008
	<u>2,932,486</u>	<u>1,500,243</u>	<u>90,189</u>	<u>4,522,918</u>
Liabilities from financing activities as at June 30, 2023	<u>2,932,486</u>	<u>1,500,243</u>	<u>90,189</u>	<u>4,522,918</u>

37 CONTINGENCIES AND COMMITMENTS

(i) Capital commitment

Capital commitment contracted for at the balance sheet dates but not recognised in the consolidated financial statements are as follows:

	As at December 31,			As at
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	June 30, 2023 <i>RMB'000</i>
Committed additional investment in an associate	1,426	1,426	1,426	1,426
	<u>1,426</u>	<u>1,426</u>	<u>1,426</u>	<u>1,426</u>

Notes:

The committed additional investment in an associate is required to be completed by 2025.

(ii) Lease commitments

The Target Group leases various offices under non-cancellable operating leases expiring within two months to six years. The Target Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 15 for further information.

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QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

37 CONTINGENCIES AND COMMITMENTS (CONTINUED)

(ii) Lease commitments (Continued)

Short-term leases contracted for at the end of the year/period but not yet incurred are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Office	2,441	726	3,071	1,245

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Target Group are also considered as related parties.

The following significant transactions were carried out between the Target Group and its related parties during the periods presented. In the opinion of the directors of the Target Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Target Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Target Group that had transactions and/or balances with the Target Group during the Track Record Period.

Company	Relationship
AJB Investment Limited (“AJB”)	Non-controlling shareholder of a subsidiary of the Target Group
Rastar Capital Co., Ltd. (“RASTAR Capital”)	Former shareholder of Guangzhou Quwan until May 2020
Rastar Group Co., Ltd. (“RASTAR Group”)	Shareholder of RASTAR Capital, former shareholder of Guangzhou Quwan
Guangzhou Star Joys Information Technology Co., Ltd. (“Star Joys”)	Subsidiary of RASTAR Capital, former shareholder of Guangzhou Quwan
Guangdong Xinghui Teamtop Entertainment Co., Ltd. (“Teamtop”)	Subsidiary of RASTAR GROUP, former shareholder of Guangzhou Quwan
Guangzhou Baiqi Commercial Management Co., Ltd. (“Guangzhou Baiqi”)	Subsidiary of RASTAR GROUP, former shareholder of Guangzhou Quwan
Song Ke	Director
Hainan Mobius Network Technology Co., Ltd. (“Hainan Mobius”)	Controlled by direct relative of director, Song Ke
Shanghai Qushen Enterprise Management Joint Enterprise (Limited Partnership) (“Shanghai Qushen”) (previously known as Huai’an Shouqu Enterprise Management Joint Enterprise (Limited Partnership) (“Huai’an Shouqu”))	Shareholder of Guangzhou Quwan
Xiamen Quji Enterprise Management Partnership (Limited Partnership) (“Xiamen Quji ”) (previously known as Guiyang Shengqu Enterprise Management Joint Enterprise (Limited Partnership) (“Guiyang Shengqu”))	Shareholder of Guangzhou Quwan

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Names and relationships with related parties (Continued)

Company	Relationship
Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (“Wenzhou Huanqu”)	Shareholder of Guangzhou Quwan
Yun Qu Limited	Shareholder of the Target Company, which is wholly owned by key management of the Target Company
Galaxy Nebula Limited	Shareholder of the Target Company, which is wholly owned by key management of the Target Company
Beijing Youqu Future Network Technology Co., Ltd. (“Beijing Youqu”)	Associate
Wenzhou Fengshang Network Technology Co., Ltd. (“Wenzhou Fengshang”)	Associate
Guangzhou Huanma Network Technology Co., Ltd. (“Guangzhou Huanma”)	Associate
Guangzhou Huanyu Mobile Technology Co., Ltd. (“Guangzhou Huanyu”)	Associate
Guangzhou Xinyan Information Technology Co., Ltd. (“Guangzhou Xinyan”)	Associate
Beijing Meihao huyu Technology Co., Ltd. (“Beijing Meihao huyu”)	Associate
Potent Network Group Limited (“Potent Network”)	Associate

(b) Significant transactions with related parties

	Year ended December 31,			Six months ended June 30,	
	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>
				<i>(Unaudited)</i>	
(i) Sales of services					
Former shareholder of Guangzhou Quwan	117	–	–	–	–
Company controlled by direct relative of director	2	–	–	–	–
Associate (<i>Note v</i>)	1	–	–	–	–
	<u>120</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

	Year ended December 31,			Six months ended June 30,	
	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>
				<i>(Unaudited)</i>	
(ii) Marketing and promotional expense paid					
Associates (<i>Note vi</i>)	1,881	5	–	–	–
	<u>1,881</u>	<u>5</u>	<u>–</u>	<u>–</u>	<u>–</u>

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QUWAN HOLDING LIMITED

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38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties (Continued)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

(iii) Rental and building management fee paid

Former shareholder of
Guangzhou Quwan

	2,916	-	-	-	-
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	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

(iv) Game development fees paid

Associates (Note vii)

	-	-	29,955	8,365	25,159
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	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

(v) Dividend declared by Guangzhou Quwan

Shareholders and former
shareholders of
Guangzhou Quwan

	112,000	230,000	-	-	-
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	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

(vi) Interest income

Mr. Song Ke
Shareholders of Guangzhou Quwan

	1,575	-	-	-	-
	5,293	2,461	-	-	-

	6,868	2,461	-	-	-
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APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Significant balances with related parties

The Target Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(i) Trade receivables from related parties				
Associates (<i>Note viii</i>)	50	–	–	–

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(ii) Other receivable from related parties				
Key management personnel (<i>Note iv</i>)	–	3,653	–	–

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(iii) Prepayment to related parties				
Associates (<i>Note vii</i>)	–	7,635	11,409	11,409

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(iv) Amounts due from related parties				
Shareholders of Guangzhou Quwan (<i>Note ix</i>)	272,147	–	–	–

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(v) Amounts due to related parties				
Shareholders of the Target Company (<i>Note iii</i>)	35,234	–	–	–

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Significant balances with related parties (Continued)

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(vi) Accounts payable to related parties				
Associates (<i>Note viii</i>)	97	–	–	–

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(vii) Other payable to related parties				
Associates (<i>Note viii</i>)	–	–	6,159	4,986

The Target Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(viii) Amounts due from related parties				
Subsidiaries (<i>Note ii</i>)	302,010	571,766	796,172	665,613

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
(ix) Amounts due to related parties				
Shareholders of the Target Company (<i>Note iii</i>)	35,234	–	–	–

Notes:

- (i) All transactions are conducted at prices and terms that are mutually agreed. Except for approximately RMB35,234,000 due from the Target Company to the shareholders of the Target Company as at December 31, 2021 which is denominated in US\$, all transactions are denominated in RMB.
- (ii) As at December 31, 2021 and 2022 and June 30, 2023, all amount due from the Target Company’s subsidiaries to the Target Company were unsecured, with an annual interest rate of 0.50% and repayable within 1 year.
- (iii) The non-trade balance represented cash advanced from the related parties.
- (iv) The non-trade balance represented staff advance to the key management personnel. The amount was fully settled by February 2022.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Significant balances with related parties (Continued)

- (v) Sales of services are performed in ordinary course of business, pursuant to the terms and conditions set out in the service agreement entered into between the Target Company and an associated company on September 30, 2019.
- (vi) Marketing and promotional expense are charged in ordinary course of business, pursuant to the terms and conditions set out in the service agreement entered into between the Target Company and an associated company.
- (vii) Game development fees are charged in ordinary course of business, pursuant to the terms and conditions set out in the service agreements entered into between the Target Company and the associated companies.
- (viii) As of December 31, 2020, 2021 and 2022 and June 30, 2023, these balances are denominated in RMB, unsecured, interest-free and repayable on demand.
- (ix) The amounts due from shareholders of Guangzhou Quwan primarily represent:

As of December 31, 2020, the amount due from Shanghai Qushen of approximately RMB141,306,000 respectively were unsecured, interest-free, and repayable in March 2021.

As of December 31, 2020, the amount due from Shanghai Qushen of approximately RMB43,348,000 were unsecured, interest-free, and repayable on demand.

The amount due from Shanghai Qushen was repaid in April 2021.

Considering the nature of the loans was interest-free and due from Shanghai Qushen which is substantially owned by management of the Target Group, the Target Group recognised corresponding compensation costs amounted to approximately RMB3,967,000 for the year ended December 31, 2020.

As of December 31, 2020, the amount due from Wenzhou Huanqu of approximately RMB62,489,000 respectively were unsecured, interest-free, and repayable in May, 2022.

As of December 31, 2020, the amount due from Wenzhou Huanqu of approximately RMB23,999,000 was unsecured, interest-free and repayable in December, 2023.

The amount due from Wenzhou Huanqu was repaid in April 2021 and June 2021.

Considering the nature of the loans was interest-free and due from Wenzhou Huanqu which is substantially owned by management of the Target Group, the Target Group recognised corresponding compensation costs amounted to approximately RMB184,000 for the year ended December 31, 2020.

Except for indicated above, all the other balances with related parties were unsecured, non-interest bearing and repayable on demand. The Target Group expects these balances to be settled prior to listing.

APPENDIX I ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Benefits and interest of directors

During the Track Record Period, the information about quasi-loans entered into by the Target Group or subsidiary undertaking of the Target Group, where applicable, in favour of the directors is as follows:

Name of director	Outstanding balance at the beginning of the year <i>RMB'000</i>	Outstanding balance at the end of the year <i>RMB'000</i>	Maximum outstanding during the year <i>RMB'000</i>	Term	Interest rate	Security
Year ended December 31, 2020						
Quasi-loan:						
Mr. Song Ke	104,065	–	105,389	Repayable in June 2020	4.15%	N/A

(e) Key management personnel compensation

Key management includes directors and top management. The compensation paid or payable to the key management for employee services is shown below:

	Year ended December 31,			Six months ended June 30,	
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Wages, salaries and bonuses	36,948	148,589	8,713	3,137	3,280
Share-based compensation expenses	21,804	33,006	60,922	16,930	35,092
Other social security costs, housing benefits and other employee benefits	140	445	497	240	231
	<u>58,892</u>	<u>182,040</u>	<u>70,132</u>	<u>20,307</u>	<u>38,603</u>

APPENDIX I

ACCOUNTANT’S REPORT OF THE TARGET GROUP

QUWAN HOLDING LIMITED

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

39 SUBSEQUENT EVENTS

- (a) On July 3, 2023, an indirect wholly owned subsidiary of the Target Company entered into an asset purchase agreement with Guangzhou Municipal Planning and Natural Resources Bureau for the acquisition of land use right for a piece of land in Guangzhou, PRC. The total purchase price of the land subject is approximately RMB1,042,320,000, the Target Group made the deposit payment of approximately RMB208,470,000 during the Track Record Period. Subsequently, the Target Group further paid approximately RMB312,690,000 in July 2023. And the remaining of approximately RMB521,160,000 will be paid within one year from the date of signing of the asset purchase agreement.
- (b) Subsequent to the Track Record Period, Guangzhou Quwan entered into a sale and purchase agreement with independent third parties to further acquire 10.34% equity interest in an unlisted entity at a consideration of RMB15,000,000, which operates in development of online interactive entertainment products in the PRC. Prior to the acquisition, the Target Group held 6.90% equity interest in such unlisted entity, which was accounted as financial assets measured at fair value through profit or loss. Upon the completion of the acquisition, the Target Group held 17.24% equity interest in total and will continue to account as financial assets measured at fair value through profit or loss.
- (c) Subsequent to the Track Record Period, an indirect wholly owned subsidiary of the Target Company entered into an asset transfer agreement with an independent third party to acquire for an 0.5% limited partnership interest of an investment fund at an aggregate subscription amount of up to RMB45,000,000. The investment fund is principally engaged in information technology, internet application and artificial intelligence. The Target Group’s interest in the investment fund will be accounted as a financial asset at fair value through profit or loss.
- (d) Subsequent to the Track Record Period, Zhuhai Huitou Management Consulting Co., Ltd. (“Zhuhai Huitou”), an indirect wholly owned subsidiary of the Target Company, entered into a sale and purchase agreement with two existing shareholders of the then associate (collectively as “the Vendors”), pursuant to which Zhuhai Huitou conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the 43.33% equity interest in Guangzhou Xinyan at a consideration of approximately RMB15,705,000. Guangzhou Xinyan operates in digital cultural creative software development in the PRC. Prior to the acquisition, the Target Group held 16.67% equity interest in Guangzhou Xinyan, which was accounted as an associate. Upon the completion of the acquisition, the Target Group held 60% equity interest in Guangzhou Xinyan and Guangzhou Xinyan became an indirect non-wholly owned subsidiary of the Target Company since then. Management is still in the process of assessing the financial impact of this transaction.
- (e) On December 8, 2023, the Target Company declared interim dividends of HK\$300,000,000. Such dividends is expected to be funded by internal resources of the Target Group and will be paid before the Listing.
- (f) Subsequent to the Track Record Period, Zhuhai Huitou, an indirect wholly owned subsidiary of the Target Company, entered into a sale and purchase agreement with independent third parties to acquire 20% equity interest in an unlisted entity, which operates artificial intelligence generated content business, for a consideration of RMB30,000,000. The acquisition was completed in November 2023. The interest in the unlisted entity will be accounted as investment in an associate.

There have been no other material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with IFRS Accounting Standards.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of the companies now comprising the Target Group in respect of any period subsequent to June 30, 2023 and up to the date of this report.

APPENDIX II FINANCIAL INFORMATION OF VISION DEAL

I. AUDITED FINANCIAL STATEMENTS OF VISION DEAL FOR THE PERIOD FROM JANUARY 20, 2022 TO DECEMBER 31, 2022

The financial information of Vision Deal for the period from January 20, 2022 (being the date of incorporation of Vision Deal) to December 31, 2022 was disclosed on pages 55 to 88 of the annual report of Vision Deal for the period ended December 31, 2022 (the “**2022 Annual Report**”), which was published on the websites of the Stock Exchange and Vision Deal. Please refer to the hyperlink below: The 2022 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042501705.pdf>.

II. UNAUDITED CONDENSED FINANCIAL STATEMENTS OF VISION DEAL FOR THE SIX MONTHS ENDED JUNE 30, 2023

The financial information of Vision Deal for the six months ended June 30, 2023 was disclosed in the condensed interim financial statements and its notes for the six months ended June 30, 2023 on pages 18 to 37 of the interim report of Vision Deal for the six months ended June 30, 2023 (the “**2023 Interim Report**”), which was published on the websites of the Stock Exchange and Vision Deal. Please refer to the hyperlink below: The 2023 Interim Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0915/2023091500438.pdf>.

III. MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS

During the period from January 20, 2022 (being the date of incorporation of Vision Deal) to December 31, 2022 and the six months ended June 30, 2023, Vision Deal did not engage in any operations and did not generate any revenue. The management discussion and analysis of Vision Deal’s results for that period/six months were set out the “Management Discussion and Analysis” section on pages 4 to 10 of the 2022 Annual Report and the “Management Discussion and Analysis” section on pages 4 to 10 of the 2023 Interim Report, respectively, which provide further information relating to the financial condition and results of Vision Deal during that period/six-months. The information therein speak as of the date they were originally published. Vision Deal’s prospects and intentions will have changed since that date, and the reader should therefore not place undue reliance on this information, particularly the information consisting of or relating to forward-looking or future statements.

IV. MATERIAL CHANGE

The Directors of Vision Deal confirm that, save with respect to the De-SPAC Transaction, there had been no material change in the financial or trading position or outlook of Vision Deal since June 30, 2023 (being the date to which the last unaudited condensed financial statements of Vision Deal prepared as set out in this appendix to this circular) up to and including the Latest Practicable Date.

APPENDIX II FINANCIAL INFORMATION OF VISION DEAL

V. LIQUIDITY AND INDEBTEDNESS DISCLOSURE

The following table sets forth Vision Deal’s current assets and liabilities as of the dates indicated.

	As of December 31, 2022 HK\$’000	As of October 15, 2023 HK\$’000 (unaudited)
Current assets		
Prepayment	511	599
Amounts due from promoters	432	696
Cash and cash equivalents	8,001	31,996
Total current assets	8,944	33,291
Current Liabilities		
Accruals and other payable	35,870	35,312
Amount due to a promoter	50	90
Redeemable Class A Shares	1,001,000	1,001,000
Warrant liabilities	30,030	24,775
Net current liabilities	1,066,950	1,061,177

Vision Deal expects its primary liquidity requirements prior to the completion of the De-SPAC Transaction to include general working capital needs and expenses relating to the De-SPAC Transaction. Vision Deal intends to satisfy its liquidity requirements primarily by utilizing (i) proceeds from the sale of SPAC Class B Shares and SPAC Promoter Warrants (which are held outside of the Escrow Account), (ii) interests or other income earned on funds held in the Escrow Account and (iii) a loan facility that Vision Deal (as borrower) entered into on June 2, 2022 in relation to a HK\$10.0 million unsecured loan facility could be drawn to finance Vision Deal’s expenses. As of October 15, 2023, no amount had been drawn down under the HK\$10.0 million unsecured loan facility, and Vision Deal did not have other borrowings.

APPENDIX II FINANCIAL INFORMATION OF VISION DEAL

The following table sets forth the details of Vision Deal’s indebtedness as of the dates indicated.

	As of December 31, 2022 HK\$’000	As of October 15, 2023 HK\$’000 (unaudited)
Current Liabilities		
Amount due to a promoter	50	90
Redeemable Class A Shares	1,001,000	1,001,000
Warrant liabilities	30,030	24,775
Total	1,031,080	1,025,865

Except as disclosed above, as of December 31, 2022, and October 15, 2023, Vision Deal did not have any material debt securities, term loans, mortgages, charges, contingent liabilities or guarantees.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP**

The information set out in this Appendix does not form part of the Accountant’s Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Target Company, as set out in Appendix I to this Circular, and is included herein for illustrative purposes only.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE SUCCESSOR GROUP

The following is an illustrative unaudited pro forma consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and adjusted consolidated net tangible assets of the Successor Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the De-SPAC Transaction as if it had taken place on June 30, 2023 for the unaudited pro forma consolidated balance sheet and adjusted consolidated net tangible assets and January 1, 2022 for the unaudited pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results and cash flows of the Successor Group had the De-SPAC Transaction been completed as at June 30, 2023, January 1, 2022 or any future date.

The unaudited pro forma financial information is prepared based on the consolidated balance sheet of the Target Group as at June 30, 2023 and the consolidated income statement, consolidated statement of comprehensive income and the consolidated statement of cash flows of the Target Group for the year ended December 31, 2022 extracted from the Accountant’s Report of the Target Group as set out in Appendix I to this Circular after giving effect to the unaudited pro forma adjustments described in the accompanying notes which are directly attributable to the De-SPAC Transaction and factually supportable and was prepared in accordance with Rules 4.29 and 14.69(4)(a)(ii) of the Listing Rules.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP

The unaudited pro forma financial information is prepared assuming (i) the Target Capital Restructuring (as detailed in “History, Reorganization and Corporate Structure of the Target Group – Target Capital Restructuring” of this Circular) is completed, (ii) no Vision Deal Class A Shareholders exercise their Appraisal Right, and (iii) there is no Permitted Equity Financing can be fulfilled. In addition, the unaudited pro forma financial information presents two redemption scenarios as set out below.

- **Assuming no redemption (Scenario I):** This presentation assumes that no Vision Deal Class A Shareholders exercise their rights to redeem any of their Vision Deal Class A Shares and thus the full amount held in the Escrow Account at Closing is available to the De-SPAC Transaction. [63,186,508] Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements.
- **Assuming full redemption (Scenario II):** This presentation assumes that 100,100,000 shares of Vision Deal Class A Shares are redeemed, which represents the full amount of redemption. [63,340,546] Successor Company Shares are issued to the PIPE Investors pursuant to the PIPE Investment Agreements.

The unaudited pro forma financial information should be read in conjunction with:

- the accompanying notes to the unaudited pro forma financial information;
- the audited financial statements of the Target Group as at and for the year ended December 31, 2022 and as at and for the six months ended June 30, 2023, and the related notes thereto, as set out in Appendix I to this Circular;
- the audited financial statements of Vision Deal for the period from January 20, 2022 (date of incorporation) to December 31, 2022, and the related notes thereto, as set out in the annual report of Vision Deal as published on April 25, 2023;
- the unaudited financial information of Vision Deal for the six months ended June 30, 2023, and the related notes thereto, as set out in the interim report of Vision Deal as published on September 15, 2023; and
- the financial information of the De-SPAC Transaction and other financial information included elsewhere in this Circular.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE SUCCESSOR GROUP

(i) Unaudited Pro Forma Consolidated Balance Sheet of the Successor Group as at June 30, 2023

Scenario (I) – No redemption

	Pro forma adjustments								
	As at June 30, 2023	As at June 30, 2023						As at June 30, 2023	
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	Note 8 RMB'000	The Successor Group RMB'000
Assets									
Non-current assets									
Property and equipment	45,207	-	-	-	-	-	-	-	45,207
Investment properties	14,700	-	-	-	-	-	-	-	14,700
Right-of-use assets	81,137	-	-	-	-	-	-	-	81,137
Intangible assets	332,769	-	-	-	-	-	-	-	332,769
Financial assets at fair value through profit or loss	94,478	-	-	-	-	-	-	-	94,478
Fixed bank deposits	230,000	-	-	-	-	-	-	-	230,000
Restricted cash	-	1,001,000	-	-	-	(922,922)	-	-	-
Prepayments and deposits	209,470	-	-	-	-	-	-	-	209,470
Investments in associates	47,352	-	-	-	-	-	-	-	47,352
Deferred tax assets	7,918	-	-	-	-	-	-	-	7,918
	1,063,031	1,001,000	922,922	-	-	(922,922)	-	-	1,063,031

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP

	Pro forma adjustments								
	As at June 30, 2023	As at June 30, 2023						As at June 30, 2023	
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	Note 8 RMB'000	The Successor Group RMB'000
Current assets									
Trade receivables	51,174	-	-	-	-	-	-	-	51,174
Prepayments and other current assets	102,995	722	-	(12,853)	-	-	-	-	90,808
Amounts due from related parties	-	696	-	-	-	-	-	-	642
Financial assets at fair value through profit or loss	222,900	-	-	-	-	-	-	-	222,900
Cash and cash equivalents	767,768	20,327	-	(98,045)	265,167	922,922	-	-	1,876,553
Fixed bank deposits	190,617	-	-	-	-	-	-	-	190,617
Restricted cash	723	-	-	-	-	-	-	-	723
	<u>1,336,177</u>	<u>21,745</u>	<u>-</u>	<u>(110,898)</u>	<u>265,167</u>	<u>922,922</u>	<u>-</u>	<u>-</u>	<u>2,433,417</u>
Total assets	<u>2,399,208</u>	<u>1,022,745</u>	<u>-</u>	<u>(110,898)</u>	<u>265,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,496,448</u>
(Deficit)/equity and liabilities (Deficit)/equity attributable to equity holders of the Target Company									
Share capital	48	3	57	-	36	93	467	-	704
Other reserves	(278,394)	150,775	4,432,672	(16,148)	276,121	1,226,618	(467)	694,211	6,473,627
Accumulated losses	(2,321,213)	(194,482)	-	(40,768)	(10,990)	(569,351)	-	(694,211)	(3,815,845)
Non-controlling interests	8,054	-	-	-	-	-	-	-	8,054
	<u>(2,591,505)</u>	<u>(43,704)</u>	<u>4,432,729</u>	<u>(56,916)</u>	<u>265,167</u>	<u>657,360</u>	<u>-</u>	<u>-</u>	<u>2,666,540</u>
Total (deficit)/equity	<u>(2,591,505)</u>	<u>(43,704)</u>	<u>4,432,729</u>	<u>(56,916)</u>	<u>265,167</u>	<u>657,360</u>	<u>-</u>	<u>-</u>	<u>2,666,540</u>

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP

	Pro forma adjustments								
	As at June 30, 2023	As at June 30, 2023						As at June 30, 2023	
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	Note 8 RMB'000	The Successor Group RMB'000
Liabilities									
Non-current liabilities									
Lease liabilities	57,217	-	-	-	-	-	-	-	57,217
Deferred tax liabilities	4,237	-	-	-	-	-	-	-	4,237
Warrant liabilities	-	-	-	-	-	119,247	-	-	119,247
Convertible redeemable preferred shares	2,314,950	-	(2,314,950)	-	-	-	-	-	-
Convertible preferred shares	1,500,243	-	(1,500,243)	-	-	-	-	-	-
	3,876,647	-	(3,815,193)	-	-	119,247	-	-	180,701
Current liabilities									
Amounts due to related parties	-	50	-	-	-	-	-	-	46
Accounts payable	168,757	-	-	-	-	-	-	-	168,757
Other payables and accruals	197,190	35,369	-	(53,982)	-	-	-	-	175,818
Contract liabilities	86,636	-	-	-	-	-	-	-	86,636
Income tax payable	10,975	-	-	-	-	-	-	-	10,975
Redeemable Class A Shares	-	1,001,000	-	-	-	(922,922)	-	-	-
Warrant liabilities	-	30,030	-	-	-	146,315	-	-	174,003
Convertible redeemable preferred shares	617,536	-	(617,536)	-	-	-	-	-	-
Lease liabilities	32,972	-	-	-	-	-	-	-	32,972
	1,114,066	1,066,449	(617,536)	(53,982)	-	(776,607)	-	-	649,207
Total liabilities	4,990,713	1,066,449	(4,432,729)	(53,982)	-	(657,360)	-	-	829,908
Total (deficit)/equity and liabilities	2,399,208	1,022,745	942,971	(110,898)	265,167	-	-	-	3,496,448

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP

Scenario (II) – Full redemption

	Pro forma adjustments								
	As at June 30, 2023	As at June 30, 2023						As at June 30, 2023	
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	Note 8 RMB'000	The Successor Group RMB'000
Assets									
Non-current assets									
Property and equipment	45,207	-	-	-	-	-	-	-	45,207
Investment properties	14,700	-	-	-	-	-	-	-	14,700
Right-of-use assets	81,137	-	-	-	-	-	-	-	81,137
Intangible assets	332,769	-	-	-	-	-	-	-	332,769
Financial assets at fair value through profit or loss	94,478	-	-	-	-	-	-	-	94,478
Fixed bank deposits	230,000	-	-	-	-	-	-	-	230,000
Restricted cash	-	1,001,000	-	-	-	(922,922)	-	-	-
Prepayments and deposits	209,470	-	-	-	-	-	-	-	209,470
Investments in associates	47,352	-	-	-	-	-	-	-	47,352
Deferred tax assets	7,918	-	-	-	-	-	-	-	7,918
	1,063,031	1,001,000	-	-	-	(922,922)	-	-	1,063,031

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP

	Pro forma adjustments								
	As at June 30, 2023	As at June 30, 2023						As at June 30, 2023	
	The Target Group Note 1 RMB'000	Vision Deal Note 2						The Successor Group RMB'000	
		HK\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Note 8 RMB'000
Current assets									
Trade receivables	51,174	-	-	-	-	-	-	-	51,174
Prepayments and other current assets	102,995	722	666	(12,853)	-	-	-	-	90,808
Amounts due from related parties	-	696	642	-	-	-	-	-	642
Financial assets at fair value through profit or loss	222,900	-	-	-	-	-	-	-	222,900
Cash and cash equivalents	767,768	20,327	18,741	(98,045)	235,073	-	-	-	923,537
Fixed bank deposits	190,617	-	-	-	-	-	-	-	190,617
Restricted cash	723	-	-	-	-	-	-	-	723
	1,336,177	21,745	20,049	(110,898)	235,073	-	-	-	1,480,401
Total assets	2,399,208	1,022,745	942,971	(110,898)	235,073	(922,922)	-	-	2,543,432
(Deficit)/equity and liabilities (Deficit)/equity attributable to equity holders of the Target Company									
Share capital	48	3	3	-	20	18	483	-	629
Other reserves	(278,394)	150,775	139,014	(6,261)	246,043	271,007	(483)	620,732	5,424,330
Accumulated losses	(2,321,213)	(194,482)	(179,312)	(50,655)	(10,990)	(536,587)	-	(620,732)	(3,719,489)
Non-controlling interests	8,054	-	-	-	-	-	-	-	8,054
	(2,591,505)	(43,704)	(40,295)	(56,916)	235,073	(265,562)	-	-	1,713,524
Total (deficit)/equity									

APPENDIX III **UNAUDITED PRO FORMA FINANCIAL INFORMATION**
OF THE SUCCESSOR GROUP

	Pro forma adjustments								
	As at June 30, 2023	As at June 30, 2023						As at June 30, 2023	
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	Note 8 RMB'000	The Successor Group RMB'000
Liabilities									
Non-current liabilities									
Lease liabilities	57,217	-	-	-	-	-	-	-	57,217
Deferred tax liabilities	4,237	-	-	-	-	-	-	-	4,237
Warrant liabilities	-	-	-	-	-	119,247	-	-	119,247
Convertible redeemable preferred shares	2,314,950	-	(2,314,950)	-	-	-	-	-	-
Convertible preferred shares	1,500,243	-	(1,500,243)	-	-	-	-	-	-
	3,876,647	-	(3,815,193)	-	-	119,247	-	-	180,701
Current liabilities									
Amounts due to related parties	-	50	-	-	-	-	-	-	46
Accounts payable	168,757	-	-	-	-	-	-	-	168,757
Other payables and accruals	197,190	35,369	-	(53,982)	-	-	-	-	175,818
Contract liabilities	86,636	-	-	-	-	-	-	-	86,636
Income tax payable	10,975	-	-	-	-	-	-	-	10,975
Redeemable Class A Shares	-	1,001,000	-	-	-	(922,922)	-	-	-
Warrant liabilities	-	30,030	-	-	-	146,315	-	-	174,003
Convertible redeemable preferred shares	617,536	-	(617,536)	-	-	-	-	-	-
Lease liabilities	32,972	-	-	-	-	-	-	-	32,972
	1,114,066	1,066,449	(617,536)	(53,982)	-	(776,607)	-	-	649,207
Total liabilities	4,990,713	1,066,449	(4,432,729)	(53,982)	-	(657,360)	-	-	829,908
Total (deficit)/equity and liabilities	2,399,208	1,022,745	-	(110,898)	235,073	(922,922)	-	-	2,543,432

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**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF
THE SUCCESSOR GROUP**

Note 1: The financial information of the Target Group is extracted from the accountant's report of the Target Group as set out in Appendix I to this Circular. The functional currency of the Target Company in Appendix I is in RMB, and its presentation currency is RMB. The unaudited pro forma consolidated financial information of the Successor Group is also presented in RMB.

Note 2: The financial information of Vision Deal is extracted from the interim report of Vision Deal for the period ended June 30, 2023 as published on the Hong Kong Stock Exchange website on September 15, 2023. The presentation currency of Vision Deal is HK\$. The balances extracted from the statement of financial position of Vision Deal as at June 30, 2023 were translated to RMB at the exchange rate of HK\$1.00 to RMB0.9220.

Note 3: The adjustment represents the fair value of the [79,371,279] preferred shares of the Target Company that would automatically be converted into ordinary shares at par value of US\$[0.0001] per share as part of the De-SPAC Transaction.

Note 4: The adjustment represents the estimated professional fees and expenses of approximately RMB[52,625,000] to be additionally incurred by the Successor Group relating to the De-SPAC Transaction in addition to the transaction costs for the PIPE Investment (Note 5) and the payment for the deferred underwriting commission accrued by Vision Deal in the amount of HK\$35,035,000 (equivalent to RMB32,302,000), which should be payable upon completion of the De-SPAC Transaction.

Under Scenario (I), RMB[40,768,000] is expected to be charged to the unaudited pro forma consolidated income statement, and RMB[11,857,000] is expected to be accounted for as a deduction from equity upon the completion of the De-SPAC Transaction. Taken into account the professional fees and expenses previously recorded on Target Group's consolidated balance sheet as at June 30, 2023 of RMB[4,291,000], the aggregate estimated professional fees and expenses to be accounted for as a deduction from equity upon the completion of the De-SPAC Transaction would be RMB[16,148,000].

Under Scenario (II), RMB[50,655,000] is expected to be charged to the unaudited pro forma consolidated income statement, and RMB[1,970,000] is expected to be accounted for as a deduction from equity upon the completion of the De-SPAC Transaction. Taken into account the professional fees and expenses previously recorded on Target Group's consolidated balance sheet as at June 30, 2023 of RMB[4,291,000], the aggregate estimated professional fees and expenses to be accounted for as a deduction from equity upon the completion of the De-SPAC Transaction would be RMB[6,261,000].

Payments to be made by the Successor Group of RMB[98,045,000] include professional fees and expenses additionally incurred relating to the De-SPAC Transaction of RMB[52,625,000], payment for the deferred underwriting commission accrued by Vision Deal of RMB32,302,000, listing expenses payables of the Target Group of RMB[21,680,000], net off against the prepaid listing expenses of the Target Group of RMB[8,562,000].

The De-SPAC Transaction expenses are the latest practicable estimates for reference only, and the actual amount may differ from these estimates.

Note 5: The adjustment represents the proceeds from PIPE Investment, net off against the consideration paid to the Target Disposing Shareholders for the Target Disposing Shares pursuant to the Share Transfer Agreements and the transaction costs in connection with the PIPE Investment.

Under Scenario (I), proceeds of HK\$[610,000,000] (equivalent to RMB[562,420,000]) is expected to be received from PIPE Investment, of which HK\$[298,000,000] (equivalent to RMB[274,756,000]) will be paid to the Target Disposing Shareholders for the Target Disposing Shares and the transaction costs in connection with the PIPE Investment is estimated to be HK\$[24,400,000] (equivalent to RMB[22,497,000]). The PIPE Investors will be issued [63,186,508] Class A shares of the Successor Company.

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Under Scenario (II), proceeds of HK\$[576,000,000] (equivalent to RMB[531,072,000]) is expected to be received from PIPE Investment, of which HK\$[298,000,000] (equivalent to RMB[274,756,000]) will be paid to the Target Disposing Shareholders for the Target Disposing Shares and the transaction costs in connection with the PIPE Investment is estimated to be HK\$[23,040,000] (equivalent to RMB[21,243,000]). The PIPE Investors will be issued [63,340,546] Class A shares of the Successor Company.

Estimated transaction costs for the PIPE Investment attributable to the Target Disposing Shares of HK\$[11,920,000] (equivalent to RMB[10,990,000]) are charged to the unaudited pro forma consolidated income statement.

Note 6: The adjustment is to illustrate the deemed expense under IFRS 2 “Share-based Payment” incurred by the Successor Group, which is the difference between the fair value of the shares issued and the warrant liabilities assumed by the Successor Company in excess of the adjusted net assets/liabilities of Vision Deal.

Fair value per share of the Successor Company as at June 30, 2023 is assumed to be HK\$10.00 per share, which is determined according to the Business Combination Agreement.

Under Scenario (I)

	Fair value per share/warrant of the Successor Company (As at June 30, 2023) HK\$	Assuming No Redemption		Fair Value HK\$ '000	Fair Value RMB '000
		Vision Deal Shares '000	Conversion into Successor Company Shares/warrants per conversion ratio '000		
Vision Deal Class A shares	10.0000	100,100	103,654	1,036,535	955,686
Vision Deal Class B shares	10.0000	25,025	25,025	250,250	230,730
Promoter warrants liabilities arising from the conversion into Successor Company warrants	[3.6953]	35,000	35,000	[129,335]	[119,247]
Listed warrant liabilities arising from the conversion into Successor Company warrants	[3.7707]	50,050	50,050	[188,724]	[174,003]
Total consideration				[1,604,844]	[1,479,666]
Less: Adjusted net assets of Vision Deal					
Net liabilities of Vision Deal as at June 30, 2023				(43,704)	(40,295)
Listed warrant liabilities				30,030	27,688
Redeemable Class A shares of Vision Deal as at June 30, 2023				1,001,000	922,922
				987,326	910,315
Deemed IFRS 2 expense				[617,518]	[569,351]

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Under Scenario (II)

	Fair value per share of the Successor Company (at June 30, 2023) HK\$	Assuming Full Redemption			
		Vision Deal Shares '000	Conversion into Successor Company Shares per conversion ratio '000	Fair Value	Fair Value
				HK\$ '000	RMB '000
Vision Deal Class B shares	10.0000	25,025	25,025	250,250	230,730
Promoter warrants liabilities arising from the conversion into Successor Company warrants	[3.6953]	35,000	35,000	[129,335]	[119,247]
Listed warrants liabilities arising from the conversion into Successor Company warrants	[3.7707]	50,050	50,050	[188,724]	[174,003]
Total consideration				[568,309]	[523,980]
Less: Adjusted net liabilities of Vision Deal					
Net liabilities of Vision Deal as at June 30, 2023				(43,704)	(40,295)
Listed warrant liabilities				30,030	27,688
				(13,674)	(12,607)
Deemed IFRS 2 expense				[581,983]	[536,587]

Upon the completion of the De-SPAC Transaction, each SPAC Listed Warrant and SPAC Promoter Warrant will be automatically cancelled in exchange for an equivalent Successor Company Listed Warrant and Successor Company Promoter Warrant on substantially the same terms and conditions as the existing warrants.

For the Successor Company Listed Warrants, as the Successor Company will make an application to the Stock Exchange for the listing of Successor Company Listed Warrants, the corresponding warrant liabilities would continue to be accounted for under financial liabilities at fair value at profit or loss (“FVTPL”) in current liabilities based on the fair value of HK\$[3.7707] per warrant as at June 30, 2023 estimated by Target Company management using a Monte Carlo simulation approach for which unobservable inputs such as pro forma De-SPAC Transaction completion date of June 30, 2023, expected volatility of 61.86%, risk-free rate of 3.56% and dividend yield of 0% were used.

The Successor Company Promoter Warrants which would be vested upon completion of the De-SPAC Transaction would be accounted for as financial liabilities at FVTPL based on the fair value of HK\$[3.6953] per warrant as at June 30, 2023 estimated by Target Company management using a Monte Carlo simulation approach for which unobservable inputs such as pro forma De-SPAC Transaction completion date of June 30, 2023, expected volatility of 61.86%, risk-free rate of 3.56% and dividend yield of 0% were used, and classified as non-current liabilities given that the Successor Company Promoter Warrants are not exercisable until 12 months after the date of Closing as required by the Listing Rules.

Under Scenario (I), as no Vision Deal Class A shares are redeemed, all of the restricted cash amounted to HK\$1,001,000,000 (equivalent to RMB922,922,000) would be reclassified as cash and cash equivalents of the Successor Group, while under Scenario (II), as all of the Vision Deal Class A shares are redeemed, all of the restricted cash would be repaid to those Vision Deal Class A Shareholders.

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Note 7: The adjustment illustrates the effect of capitalization issue for the existing shares of the Target Company.

Note 8: Pursuant to the terms of Business Combination Agreement, the Successor Company will grant Earn-out Rights to the executive directors and senior management members of the Successor Company in the form of unlisted warrants up to 10% of the Successor Company Shares at the subscription price of US\$[0.0001] per unlisted warrant upon the completion of the De-SPAC Transaction. The unlisted warrants are exercisable when certain conditions connected with the adjusted net profit and the share price of the Successor Company after the completion of the De-SPAC Transaction are satisfied. Details of these conditions are set out in the section headed “Letter from the Vision Deal Board – K. Other Arrangements – 2. Earn-out Rights” in the Circular.

The Earn-out Rights will be accounted for as share-based compensation expenses under IFRS 2 “Share-based Payment”. Fair value of each unlisted warrant granted under the Earn-out Rights as of June 30, 2023 is estimated to be HK\$[7.70] (equivalent to RMB[7.10]) per share by Target Company management using a Monte Carlo simulation approach for which unobservable inputs such as expected volatility of 60.88%, risk-free rate of 3.53% and expected dividend yield of 0% are considered.

Under Scenario (I), share-based compensation expenses of HK\$[752,941,000] (equivalent to RMB[694,211,000]) is expected to be charged to the unaudited pro forma consolidated income statement with the corresponding credit to equity taken into account the Maximum Issuable Earn-out Shares of [97,784,500] new Successor Company Shares.

Under Scenario (II), share-based compensation expenses of HK\$[673,246,000] (equivalent to RMB[620,732,000]) is expected to be charged to the unaudited pro forma consolidated income statement with the corresponding credit to equity taken into account the Maximum Issuable Earn-out Shares of [87,434,500] new Successor Company Shares.

Note 9: For the purpose of this unaudited pro forma consolidated balance sheet of the Successor Group, the amounts stated in RMB are converted into HK\$ at the rate of HK\$1.00 to RMB0.9220 assuming the De-SPAC Transaction had taken place on June 30, 2023. No representation is made that RMB has been, could have been or may be converted to HK\$, or vice versa, at that rate.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION
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(ii) Unaudited Pro Forma Consolidated Income Statement of the Successor Group for the year ended December 31, 2022

Scenario (I) – No redemption

	Pro forma adjustments							For the year ended December 31, 2022
	For the period from January 20, 2022 (date of incorporation) to December 31, 2022	Vision Deal					The Successor Group	
	HK\$'000	Note 2	Note 3	Note 4	Note 5	Note 6			Note 7
The Target Group	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenues	3,401,990	-	-	-	-	-	-	3,401,990
Cost of revenues	(1,559,517)	-	-	-	-	-	-	(1,559,517)
Gross profit	1,842,473	-	-	-	-	-	-	1,842,473
Selling and marketing expenses	(547,847)	-	-	-	-	-	-	(547,847)
Administrative expenses	(176,942)	(66,130)	(56,571)	-	-	52,527	-	(180,986)
Research and development expenses	(508,986)	-	-	-	-	-	-	(508,986)
Reversal of impairment losses on financial assets	5,114	-	-	-	-	-	-	5,114
Professional fees and expenses related to listing and De-SPAC Transaction	(12,692)	(4,061)	(3,474)	(37,860)	(10,197)	(431,148)	(564,437)	(1,059,808)
Amortization of transaction costs on redeemable Class A Shares	-	(60,224)	(51,519)	-	-	-	-	(51,519)
Other gains, net	46,958	6,841	5,852	-	-	-	-	52,810
Operating profit/(loss)	648,078	(123,574)	(105,712)	(37,860)	(10,197)	(378,621)	(564,437)	(448,749)

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	Pro forma adjustments							For the year ended December 31, 2022
	For the period from January 20, 2022 (date of incorporation) to December 31, 2022						The Successor Group	
	The Target Group	Vision Deal	Note 3	Note 4	Note 5	Note 6	Note 7	
For the year ended December 31, 2022	HK\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance income	15,984	-	-	-	-	-	-	15,984
Finance costs	(5,434)	-	-	-	-	-	-	(5,434)
Finance income, net	10,550	-	-	-	-	-	-	10,550
Share of net losses of associates accounted for using equity method	(3,887)	-	-	-	-	-	-	(3,887)
Fair value changes on convertible redeemable preferred shares	(64,129)	-	64,129	-	-	-	-	-
Fair value changes on convertible preferred shares	(12,664)	-	12,664	-	-	-	-	-
Change in fair value of warrant liabilities	-	(30,030)	(25,689)	-	-	12,033	-	(13,656)
Profit/(loss) before income tax	577,948	(153,604)	76,793	(37,860)	(10,197)	(366,588)	(564,437)	(455,742)
Income tax expenses	(68,695)	-	-	-	-	-	-	(68,695)
Profit/(loss) for the year/period	509,253	(153,604)	76,793	(37,860)	(10,197)	(366,588)	(564,437)	(524,437)

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UNAUDITED PRO FORMA FINANCIAL INFORMATION
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Scenario (II) – Full redemption

	Pro forma adjustments									
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022								For the year ended December 31, 2022
	The Target Group Note 1 RMB'000	HK\$'000	RMB'000	Vision Deal Note 2 RMB'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	The Successor Group RMB'000
Revenues	3,401,990	-	-	-	-	-	-	-	-	3,401,990
Cost of revenues	(1,559,517)	-	-	-	-	-	-	-	-	(1,559,517)
Gross profit	1,842,473	-	-	-	-	-	-	-	-	1,842,473
Selling and marketing expenses	(547,847)	-	-	-	-	-	-	-	-	(547,847)
Administrative expenses	(176,942)	(66,130)	(56,571)	-	-	-	52,527	-	-	(180,986)
Research and development expenses	(508,986)	-	-	-	-	-	-	-	-	(508,986)
Reversal of impairment losses on financial assets	5,114	-	-	-	-	-	-	-	-	5,114
Professional fees and expenses related to listing and De-SPAC Transaction	(12,692)	(4,061)	(3,474)	-	-	(46,920)	(10,197)	(402,095)	(504,694)	(980,072)
Amortization of transaction costs on redeemable Class A Shares	-	(60,224)	(51,519)	-	-	-	-	-	-	(51,519)
Other gains, net	46,958	6,841	5,852	-	-	-	-	-	-	52,810
Operating profit/(loss)	648,078	(123,574)	(105,712)	-	-	(46,920)	(10,197)	(349,568)	(504,694)	(369,013)

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	Pro forma adjustments							For the year ended December 31, 2022
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022		Pro forma adjustments			For the year ended December 31, 2022	
	The Target Group	Vision Deal	Note 3	Note 4	Note 5	Note 6	Note 7		The Successor Group
Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7		
RMB'000	HK\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance income	15,984	-	-	-	-	-	-	15,984
Finance costs	(5,434)	-	-	-	-	-	-	(5,434)
Finance income, net	10,550	-	-	-	-	-	-	10,550
Share of net losses of associates accounted for using equity method	(3,887)	-	-	-	-	-	-	(3,887)
Fair value changes on convertible redeemable preferred shares	(64,129)	-	64,129	-	-	-	-	-
Fair value changes on convertible preferred shares	(12,664)	-	12,664	-	-	-	-	-
Change in fair value of warrant liabilities	-	(30,030)	(25,689)	-	-	12,033	-	(13,656)
Profit/(loss) before income tax	577,948	(153,604)	76,793	(46,920)	(10,197)	(337,535)	(504,694)	(376,006)
Income tax expenses	(68,695)	-	-	-	-	-	-	(68,695)
Profit/(loss) for the year/period	509,253	(153,604)	76,793	(46,920)	(10,197)	(337,535)	(504,694)	(444,701)

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UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP

(iii) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Successor Group for the year ended December 31, 2022

Scenario (I) – No redemption

	Pro forma adjustments						
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	For the year ended December 31, 2022
	The Target Group	Vision Deal	Note 3	Note 4	Note 5	Note 6	The Successor Group
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7
	RMB'000	HK\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the year/period	509,253	(153,604)	76,793	(37,860)	(10,197)	(366,588)	(524,437)
Other comprehensive loss							
<i>Items that may be reclassified to profit or loss</i>							
Currency translation differences	(45,749)	-	-	-	-	-	(45,749)
<i>Items that will not be reclassified to profit or loss</i>							
Fair value change on convertible redeemable preferred shares due to own credit risk	10,239	-	-	-	-	-	10,239
Currency translation differences	(260,255)	-	-	-	-	-	(260,255)
Other comprehensive loss for the year/period, net of taxes	(295,765)	-	-	-	-	-	(295,765)

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UNAUDITED PRO FORMA FINANCIAL INFORMATION
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		Pro forma adjustments							
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022							For the year ended December 31, 2022
	The Target Group	Vision Deal							The Successor Group
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7		
	RMB'000	HK\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(295,107)	-	-	-	-	-	-	-	(295,107)
	(658)	-	-	-	-	-	-	-	(658)
	(295,765)	-	-	-	-	-	-	-	(295,765)
	216,799	(153,604)	(131,401)	76,793	(37,860)	(10,197)	(366,588)	(564,437)	(816,891)
	(3,311)	-	-	-	-	-	-	-	(3,311)
	213,488	(153,604)	(131,401)	76,793	(37,860)	(10,197)	(366,587)	(564,437)	(820,202)

Total other comprehensive loss for the year/period attributable to:

- Owner of the Target Company
- Non-controlling interests

Total comprehensive income/(loss) for the year/period attributable to:

- Owner of the Target Company
- Non-controlling interests

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Scenario (II) – Full redemption

	Pro forma adjustments						For the year ended December 31, 2022		
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022	Vision Deal	Note 3	Note 4	Note 5		Note 6	Note 7	The Successor Group
	The Target Group	HK\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	509,253	(153,604)	(131,401)	76,793	(46,920)	(10,197)	(337,535)	(504,694)	(444,701)
Profit/(loss) for the year/period									
Other comprehensive loss									
<i>Items that may be reclassified to profit or loss</i>									
Currency translation differences	(45,749)	-	-	-	-	-	-	-	(45,749)
<i>Items that will not be reclassified to profit or loss</i>									
Fair value change on convertible redeemable preferred shares due to own credit risk	10,239	-	-	-	-	-	-	-	10,239
Currency translation differences	(260,255)	-	-	-	-	-	-	-	(260,255)
Other comprehensive loss for the year/period, net of taxes	(295,765)	-	-	-	-	-	-	-	(295,765)

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UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP

	Pro forma adjustments									
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	For the year ended December 31, 2022
	The Target Group	Vision Deal								The Successor Group
	Note 1	Note 2								
	RMB'000	HK\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total other comprehensive loss for the year/period attributable to:										
- Owner of the Target Company	(295,107)	-	-	-	-	-	-	-	-	(295,107)
- Non-controlling interests	(658)	-	-	-	-	-	-	-	-	(658)
	<u>(295,765)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(295,765)</u>
Total comprehensive income/(loss) for the year/period attributable to:										
- Owner of the Target Company	216,799	(153,604)	(131,401)	76,793	(46,920)	(10,197)	(337,535)	(504,694)		(737,155)
- Non-controlling interest	(3,311)	-	-	-	-	-	-	-	-	(3,311)
	<u>213,488</u>	<u>(153,604)</u>	<u>(131,401)</u>	<u>76,793</u>	<u>(46,920)</u>	<u>(10,197)</u>	<u>(337,535)</u>	<u>(504,694)</u>	<u>(504,694)</u>	<u>(740,466)</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE SUCCESSOR GROUP**

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE SUCCESSOR GROUP

Note 1: The financial information of the Target Group is extracted from the accountant’s report of the Target Group as set out in Appendix I to this Circular. The functional currency of the Target Company in Appendix I is in RMB, and its presentation currency is RMB. The unaudited pro forma consolidated financial information of the Successor Group is also presented in RMB.

Note 2: The financial information of Vision Deal is extracted from the annual report of Vision Deal for the period ended December 31, 2022 as published on the Hong Kong Stock Exchange website on April 25, 2023. The presentation currency of Vision Deal is HK\$. The amounts extracted from the statement of profit or loss and other comprehensive income of Vision Deal for the period ended December 31, 2022 were translated to RMB at the exchange rate of HK\$1.00 to RMB0.8555.

Note 3: The adjustment represents reversal of fair value changes on preferred shares of the Target Group as it is assumed that the De-SPAC Transaction was completed on January 1, 2022 and the [79,371,279] preferred shares of the Target Company were converted into ordinary shares at par value of US\$[0.0001] per share as part of the De-SPAC Transaction.

Note 4: The adjustment represents the estimated professional fees and expenses of approximately RMB[59,677,000] to be additionally incurred by the Successor Group relating to the De-SPAC Transaction in addition to the transaction costs for the PIPE Investment and the payment for the deferred underwriting commission accrued by Vision Deal in the amount of HK\$35,035,000 (equivalent to RMB28,616,000), which should be payable upon completion of the De-SPAC Transaction.

Under Scenario (I), RMB[50,552,000] is expected to be charged to the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income, and RMB[9,125,000] is expected to be accounted for as a deduction from equity upon the completion of the De-SPAC Transaction.

Under Scenario (II), RMB[59,612,000] is expected to be charged to the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income, and RMB[65,000] is expected to be accounted for as a deduction from equity upon the completion of the De-SPAC Transaction.

The professional fees and expenses related to listing of RMB12,692,000 reported in Target Group’s consolidated income statement for the year ended December 31, 2022 was reversed for the purpose of the unaudited pro forma consolidated income statement as it is assumed that the De-SPAC Transaction was completed on January 1, 2022 and the related professional fees and expenses are covered by the aforementioned professional fees and expenses of approximately RMB[59,677,000] to be additionally incurred by the Successor Group relating to the De-SPAC Transaction.

The De-SPAC Transaction expenses are the latest practicable estimates for reference only, and the actual amount may differ from these estimates.

Note 5: The estimated transaction costs of HK\$[11,920,000] (equivalent to RMB[10,197,000]) for the PIPE Investment attributable to the Target Disposing Shares are charged to the unaudited pro forma consolidated income statement.

Note 6: The adjustment is to illustrate the deemed expense under IFRS 2 “Share-based Payment” incurred by the Successor Group, which is the difference between the fair value of the shares issued and warrant liabilities assumed by the Successor Company in excess of the proceeds received by Vision Deal in connection with its issuance of Class A shares, Class B shares and Promoters’ warrants.

Fair value per share of the Successor Company as at January 1, 2022 is assumed to be HK\$10.00 per share, which is determined according to the Business Combination Agreement.

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Under Scenario (I)

	Fair value per share/warrant of the Successor Company (As at January 1, 2022) HK\$	Assuming No Redemption					
		Vision Deal Shares '000	Conversion into Successor Company Shares/ warrants per conversion ratio '000	Fair Value HK\$'000	Fair Value RMB'000		
						Conversion into Successor	
Vision Deal Class A shares	10.0000	100,100	103,654	1,036,535	847,471		
Vision Deal Class B shares	10.0000	25,025	25,025	250,250	204,604		
Promoter warrants liabilities arising from the conversion into Successor Company warrants	[3.2153]	35,000	35,000	[112,535]	[92,009]		
Listed warrant liabilities arising from the conversion into Successor Company warrants	[3.2809]	50,050	50,050	[164,209]	[134,257]		
Total consideration				[1,563,529]	[1,278,341]		
Less:							
Proceeds from issuance of Vision Deal's Class B shares				195	159		
Proceeds from issuance of Vision Deal's Promoter warrants				35,000	28,616		
Redeemable Class A shares of Vision Deal				1,001,000	818,418		
				1,036,195	847,193		
Deemed IFRS 2 expense				[527,334]	[431,148]		

Under Scenario (II)

	Fair value per share of the Successor Company (at January 1, 2022) HK\$	Assuming Full Redemption					
		Vision Deal Shares '000	Conversion into Successor Company Shares/ warrants per conversion ratio '000	Fair Value HK\$'000	Fair Value RMB'000		
						Conversion into Successor	
Vision Deal Class B shares	10.0000	25,025	25,025	250,250	204,604		
Promoter warrants liabilities arising from the conversion into Successor Company warrants	[3.2153]	35,000	35,000	[112,535]	[92,009]		
Listed warrant liabilities arising from the conversion into Successor Company warrants	[3.2809]	50,050	50,050	[164,209]	[134,257]		
Total consideration				[526,994]	[430,870]		

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	Fair value per share of the Successor Company (at January 1, 2022) HK\$	Assuming Full Redemption			
		Vision Deal Shares '000	Conversion into Successor Company Shares/ warrants per conversion ratio '000	Fair Value HK\$'000	Fair Value RMB'000
Less:					
Proceeds from issuance of Vision Deal's Class B shares				195	159
Proceeds from issuance of Vision Deal's Promoter warrants			35,000		28,616
			35,195		28,775
Deemed IFRS 2 expense			<u>[491,799]</u>		<u>[402,095]</u>

Upon the completion of the De-SPAC Transaction, each SPAC Listed Warrant and SPAC Promoter Warrant will be automatically cancelled in exchange for an equivalent Successor Company Listed Warrant and Successor Company Promoter Warrant on substantially the same terms and conditions as the existing warrants.

For the Successor Company Listed Warrants, as the Successor Company will make an application to the Stock Exchange for the listing of Successor Company Listed Warrants, the corresponding warrant liabilities would continue to be accounted under financial liabilities at FVTPL in current liabilities based on the fair value of HK\$[3.2809] per warrant as at January 1, 2022 estimated by Target Company management using a Monte Carlo simulation approach for which unobservable inputs such as pro forma De-SPAC Transaction completion date of January 1, 2022, expected volatility of 54.81%, risk-free rate of 1.10% and dividend yield of 0% were used.

The Successor Company Promoter Warrants which would be vested upon the completion of the De-SPAC Transaction would be accounted for as financial liabilities at FVTPL based on the fair value of HK\$[3.2153] per warrant as at January 1, 2022 estimated by Target Company management using a Monte Carlo simulation approach for which unobservable inputs such as pro forma De-SPAC Transaction completion date of January 1, 2022, expected volatility of 54.81%, risk-free rate of 1.10% and dividend yield of 0% were used, and classified as non-current liabilities given that the Successor Company Promoter Warrants are not exercisable until 12 months after the date of Closing as required by the Listing Rules.

The Successor Company Listed Warrants and Promoter Warrants are expected to be accounted for as financial liabilities measured at FVTPL and the changes in fair value of the liabilities will be recorded in profit or loss. For the purpose of this pro forma financial information, the fair value of the Successor Company Listed Warrants and Promoter Warrants as at December 31, 2022 are estimated to be HK\$[3.4416] per warrant and HK\$[3.4416] per warrant, respectively. Change in fair value of warrant liabilities of HK\$[15,964,000] (equivalent to RMB[13,656,000]) is charged to the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income in 2022. Except for the foregoing, other adjustments are not expected to have a continuing effect on the Successor Group.

In addition, the share-based compensation expense of HK\$61,403,000 (equivalent to RMB52,527,000) related to the issuance of Vision Deal's Class B shares and promoters' warrants that were reported in Vision Deal's statement of profit or loss for the period ended December 31, 2022 was reversed for the purpose of the pro forma consolidated income statement as it is assumed that the De-SPAC Transaction was completed on January 1, 2022 and the related share-based compensation expenses were replaced by the consideration paid by the Target Company in the form of Successor Company shares issued to the Vision Deal Class B shareholders and the Successor Company warrants issued to the promoter warrant holders.

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Note 7: Pursuant to the terms of Business Combination Agreement, the Successor Company will grant Earn-out Rights to the executive directors and senior management members of Successor Company in the form of unlisted warrants up to 10% of the Successor Company Shares at the subscription price of US\$0.0001 per unlisted warrant upon the completion of the De-SPAC Transaction. The unlisted warrants are exercisable when certain conditions connected with the adjusted net profit and the share price of the Successor Company after the completion of the De-SPAC Transaction are satisfied. Details of these conditions are set out in the section headed “Letter from the Vision Deal Board – K. Other Arrangements – 2. Earn-out Rights” in the Circular.

The Earn-out Rights will be accounted for as share-based compensation expenses under IFRS 2 “Share-based Payment”. Fair value of each unlisted warrant granted under the Earn-out Rights as of January 1, 2022 is estimated to be HK\$[7.06] (equivalent to RMB[5.77]) per share by Target Company management using a Monte Carlo simulation approach for which unobservable inputs such as expected volatility of 54.30%, risk-free rate of 1.14% and expected dividend yield of 0% are considered.

Under Scenario (I), share-based compensation expenses of HK\$[690,359,000] (equivalent to RMB[564,437,000]) is expected to be charged to the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income in 2022 taken into account the Maximum Issuable Earn-out Shares of [97,784,500] new Successor Company Shares.

Under Scenario (II), share-based compensation expenses of HK\$[617,288,000] (equivalent to RMB[504,694,000]) is expected to be charged to the unaudited pro forma consolidated income statement and consolidated statement of comprehensive income in 2022 taken into account the Maximum Issuable Earn-out Shares of [87,434,500] new Successor Company Shares.

Note 8: For the purpose of this unaudited pro forma consolidated income statement and statement of comprehensive income of the Successor Group, the amounts stated in RMB are converted into HK\$ at the rate of HK\$1.00 to RMB0.8555. For the deemed IFRS 2 expense and the share-based compensation expense in relation to the Earn-out Rights to be charged to the unaudited pro forma consolidated income statement of the Successor Group, the amounts are converted at the rate of HK\$1.00 to RMB0.8176, assuming the De-SPAC Transaction had taken place on January 1, 2022. No representation is made that RMB has been, could have been or may be converted to HK\$, or vice versa, at that rate.

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(iv) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Successor Group for the year ended December 31, 2022
Scenario (I) – No redemption

	Pro forma adjustments							The Successor Group RMB'000
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022					For the year ended December 31, 2022	
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	
Cash flows from operating activities								
Profit/(loss) before income tax expenses	577,948	(153,604)	76,793	(37,860)	(10,197)	(366,588)	(564,437)	(455,742)
Adjustments for:								
Depreciation of property and equipment	12,065	-	-	-	-	-	-	12,065
Depreciation of right-of-use assets	29,004	-	-	-	-	-	-	29,004
Write off of property, plant and equipment	30	-	-	-	-	-	-	30
Amortisation of intangible assets	49,433	-	-	-	-	-	-	49,433
Net reversal of impairment losses	(5,114)	-	-	-	-	-	-	(5,114)
Professional fees and expenses related to listing and De-SPAC Transaction	-	-	-	-	-	-	564,437	995,585
Share-based compensation expenses	67,153	61,403	-	-	-	431,148	-	67,153
Net loss on disposal of property and equipment	11	-	-	-	-	(52,527)	-	11
Net gain on disposal of intangible assets	(33)	-	-	-	-	-	-	(33)
Share of net loss of associates	3,887	-	-	-	-	-	-	3,887
Fair value change of convertible redeemable preferred shares	64,129	-	(64,129)	-	-	-	-	-
Fair value change of convertible preferred shares	12,664	-	(12,664)	-	-	-	-	-
Fair value (gains)/losses on financial assets/liabilities at fair value through profit or loss	(2,721)	30,030	-	-	-	(12,033)	-	10,935
Fair value losses on investment properties	1,390	-	-	-	-	-	-	1,390
Finance income, net	(10,550)	-	-	-	-	-	-	(10,550)
Listing expense	-	889	-	-	-	-	-	760
Bank interest income	-	(6,944)	-	-	-	-	-	(5,940)
Foreign exchange loss	-	103	-	-	-	-	-	88

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	Pro forma adjustments						
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022					For the year ended December 31, 2022
	The Target Group	Vision Deal	Note 3	Note 4	Note 5	Note 6	The Successor Group
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7
	RMB'000	HKS'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Changes in working capital:							
Increase in trade and other receivables	(12,999)	(511)	(437)	-	-	-	(13,436)
Decrease in amounts due to related parties	-	(382)	(327)	-	-	-	(327)
Increase in prepayments	(12,197)	-	-	-	-	-	(12,197)
Increase in accounts payable	9,945	-	-	-	-	-	9,945
Increase in contract liabilities	34,519	-	-	-	-	-	34,519
(Decrease)/increase in other payables and accruals	(50,550)	35,767	30,597	(60,692)	-	-	(80,645)
Cash generated from/(used in) operations	768,014	(33,249)	(28,444)	(98,552)	(10,197)	-	630,821
Income tax paid	(56,918)	-	-	-	-	-	(56,918)
Net cash generated from/(used in) operating activities	711,096	(33,249)	(28,444)	(98,552)	(10,197)	-	573,903

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	Pro forma adjustments							
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022					For the year ended December 31, 2022	
	The Target Group	Vision Deal	Note 3	Note 4	Note 5	Note 6	Note 7	The Successor Group
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Group
	RMB'000	HKS'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from investing activities								
Purchase of property and equipment	(8,898)	-	-	-	-	-	-	(8,898)
Purchase of other intangible assets	(6,890)	-	-	-	-	-	-	(6,890)
Payment for the assets of a disposal group classified as held-for-sale	(32,429)	-	-	-	-	-	-	(32,429)
Proceeds from disposal of property, equipment and intangible assets	3,012	-	-	-	-	-	-	3,012
Purchase of investments in non-current financial assets at fair value through profit or loss	(64,405)	-	-	-	-	-	-	(64,405)
Purchase of investments in associates	(15,000)	-	-	-	-	-	-	(15,000)
Purchase of investments in current financial assets at fair value through profit or loss	(1,345,783)	-	-	-	-	-	-	(1,345,783)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss	1,196,766	-	-	-	-	-	-	1,196,766
Interest income received	15,793	6,944	-	-	-	-	-	21,733
Payment of fixed bank deposits	(199,646)	-	-	-	-	-	-	(199,646)
Consideration paid for business combination, net of cash acquired	(18,052)	-	-	-	-	-	-	(18,052)
Net cash (used in)/generated from investing activities	(475,532)	6,944	-	-	-	-	-	(469,592)
		5,940						

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	Pro forma adjustments						
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022					For the year ended December 31, 2022
	The Target Group	Vision Deal	Note 3	Note 4	Note 5	Note 6	The Successor Group
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7
	RMB'000	HKS'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities							
Proceeds from borrowings	20,000	-	-	-	-	-	20,000
Repayment of borrowings	(20,000)	-	-	-	-	-	(20,000)
Principal elements of lease liabilities	(25,957)	-	-	-	-	-	(25,957)
Repayment of interest on lease liabilities	(4,816)	-	-	-	-	-	(4,816)
Payment for professional fees and expenses relating to listing and De-SPAC Transaction	-	-	-	(10,841)	-	-	(10,841)
Release of restricted cash arising from conversion of redeemable preferred shares	-	-	-	-	-	856,305	856,305
Proceeds from PIPE Investors	-	-	-	-	266,900	-	266,900
Payment for transaction costs relating to PIPE Investment	-	-	-	-	(10,676)	-	(10,676)
Contribution from non-controlling interests	-	-	-	-	-	-	-
Listing expenses paid	(2,767)	-	-	-	-	-	(2,767)
Dividends paid	-	-	-	-	-	-	-
Finance costs paid	(618)	-	-	-	-	-	(618)
Proceeds from issuance of shares	-	195	-	-	-	-	167
Proceeds from issuance of promoter warrants	-	35,000	-	-	-	-	29,941
Transaction costs related to the issuance of shares and promoter warrants	-	(889)	-	-	-	-	(760)
Net cash (used in)/generated from financing activities	(34,158)	34,306	-	(10,841)	256,224	856,305	1,096,878

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	Pro forma adjustments							
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022						For the year ended December 31, 2022
	The Target Group	Vision Deal	Note 3	Note 4	Note 5	Note 6	Note 7	The Successor Group
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
	RMB'000	HKS'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net increase/(decrease) in cash and cash equivalents	201,406	8,001	-	(109,393)	246,027	856,305	-	1,201,189
Cash and cash equivalents at the beginning of the year/period	718,187	-	-	-	-	-	-	718,187
Effects of exchange rate changes on cash and cash equivalents	36,050	-	-	-	-	-	-	36,050
Cash and cash equivalents at the end of the year/period	955,643	8,001	-	(109,393)	246,027	856,305	-	1,955,426

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Scenario (II) – Full redemption

	Pro forma adjustments							
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022					For the year ended December 31, 2022	
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	The Successor Group RMB'000
Cash flows from operating activities								
Profit/(loss) before income tax expenses	577,948	(153,604)	76,793	(46,920)	(10,197)	(337,535)	(504,694)	(376,006)
Adjustments for:								
Depreciation of property and equipment	12,065	-	-	-	-	-	-	12,065
Depreciation of right-of-use assets	29,004	-	-	-	-	-	-	29,004
Write off of property, plant and equipment	30	-	-	-	-	-	-	30
Amortisation of intangible assets	49,433	-	-	-	-	-	-	49,433
Net reversal of impairment losses	(5,114)	-	-	-	-	-	-	(5,114)
Professional fees and expenses related to listing and De-SPAC Transaction	-	-	-	-	-	-	-	-
Share-based compensation expenses	67,153	61,403	-	-	-	402,095	504,694	906,789
Net loss on disposal of property and equipment	11	-	-	-	-	(52,527)	-	67,153
Net gain on disposal of intangible assets	(33)	-	-	-	-	-	-	11
Share of net loss of associates	3,887	-	-	-	-	-	-	(33)
Fair value change of convertible redeemable preferred shares	64,129	-	(64,129)	-	-	-	-	3,887
Fair value change of convertible preferred shares	12,664	-	(12,664)	-	-	-	-	-
Fair value (gains)/losses on financial assets/liabilities at fair value through profit or loss	(2,721)	30,030	-	-	-	(12,033)	-	10,935
Fair value losses on investment properties	1,390	-	-	-	-	-	-	1,390
Finance income, net	(10,550)	-	-	-	-	-	-	(10,550)
Listing expense	-	889	-	-	-	-	-	760
Bank interest income	-	(6,944)	-	-	-	-	-	(5,940)
Foreign exchange loss	-	103	-	-	-	-	-	88

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	Pro forma adjustments							
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022		For the year ended December 31, 2022				
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	The Successor Group RMB'000
Changes in working capital:								
Increase in trade and other receivables	(12,999)	(511)	-	-	-	-	-	(13,436)
Decrease in amounts due to related parties	-	(382)	-	-	-	-	-	(327)
Increase in prepayments	(12,197)	-	-	-	-	-	-	(12,197)
Increase in accounts payable	9,945	-	-	-	-	-	-	9,945
Increase in contract liabilities	34,519	-	-	-	-	-	-	34,519
(Decrease)/increase in other payables and accruals	(50,550)	35,767	-	(60,692)	-	-	-	(80,645)
Cash generated from/(used in) operations	768,014	(33,249)	-	(107,612)	(10,197)	-	-	621,761
Income tax paid	(56,918)	-	-	-	-	-	-	(56,918)
Net cash generated from/(used in) operating activities	711,096	(33,249)	-	(107,612)	(10,197)	-	-	564,843

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	Pro forma adjustments								
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022					For the year ended December 31, 2022		
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	RMB'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	The Successor Group RMB'000
Cash flows from investing activities									
Purchase of property and equipment	(8,898)	-	-	-	-	-	-	-	(8,898)
Purchase of other intangible assets	(6,890)	-	-	-	-	-	-	-	(6,890)
Payment for the assets of a disposal group classified as held-for-sale	(32,429)	-	-	-	-	-	-	-	(32,429)
Proceeds from disposal of property, equipment and intangible assets	3,012	-	-	-	-	-	-	-	3,012
Purchase of investments in non-current financial assets at fair value through profit or loss	(64,405)	-	-	-	-	-	-	-	(64,405)
Purchase of investments in associates	(15,000)	-	-	-	-	-	-	-	(15,000)
Purchase of investments in current financial assets at fair value through profit or loss	(1,345,783)	-	-	-	-	-	-	-	(1,345,783)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss	1,196,766	-	-	-	-	-	-	-	1,196,766
Interest income received	15,793	6,944	5,940	-	-	-	-	-	21,733
Payment of fixed bank deposits	(199,646)	-	-	-	-	-	-	-	(199,646)
Consideration paid for business combination, net of cash acquired	(18,052)	-	-	-	-	-	-	-	(18,052)
Net cash (used in)/generated from investing activities	(475,532)	6,944	5,940	-	-	-	-	-	(469,592)

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	Pro forma adjustments							
	For the year ended December 31, 2022	For the period from January 20, 2022 (date of incorporation) to December 31, 2022					For the year ended December 31, 2022	
	The Target Group Note 1 RMB'000	Vision Deal Note 2 HK\$'000	Note 3 RMB'000	Note 4 RMB'000	Note 5 RMB'000	Note 6 RMB'000	Note 7 RMB'000	The Successor Group RMB'000
Cash flows from financing activities								
Proceeds from borrowings	20,000	-	-	-	-	-	-	20,000
Repayment of borrowings	(20,000)	-	-	-	-	-	-	(20,000)
Principal elements of lease liabilities	(25,957)	-	-	-	-	-	-	(25,957)
Repayment of interest on lease liabilities	(4,816)	-	-	-	-	-	-	(4,816)
Payment for professional fees and expenses relating to listing and De-SPAC Transaction	-	-	-	(1,781)	-	-	-	(1,781)
Proceeds from PIPE Investors	-	-	-	-	237,815	-	-	237,815
Payment for transaction cost relating to PIPE Investment	-	-	-	-	(9,513)	-	-	(9,513)
Listing expenses paid	(2,767)	-	-	-	-	-	-	(2,767)
Finance costs paid	(618)	-	-	-	-	-	-	(618)
Proceeds from issue of shares	-	195	-	-	-	-	-	167
Proceeds from issue of promoter warrants	-	35,000	-	-	-	-	-	29,941
Transaction costs related to the issuance of shares and promoter warrants	-	(889)	-	-	-	-	-	(760)
Net cash (used in)/generated from financing activities	(34,158)	34,306	-	(1,781)	228,302	-	-	221,711
Net increase in cash and cash equivalents	201,406	8,001	-	(109,393)	218,105	-	-	316,962
Cash and cash equivalents at the beginning of the year/period	718,187	-	-	-	-	-	-	718,187
Effects of exchange rate changes on cash and cash equivalents	36,050	-	-	-	-	-	-	36,050
Cash and cash equivalents at the end of the year/period	955,643	8,001	-	(109,393)	218,105	-	-	1,071,199

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**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF
CASH FLOWS OF THE SUCCESSOR GROUP**

Note 1: The financial information of the Target Group is extracted from the accountant's report of the Target Group as set out in Appendix I to this Circular. The functional currency of the Target Company in Appendix I is in RMB, and its presentation currency is RMB. The unaudited pro forma consolidated financial information of the Successor Group is also presented in RMB.

Note 2: The financial information of Vision Deal is extracted from the annual report of Vision Deal for the period ended December 31, 2022 as published on the Hong Kong Stock Exchange website on April 25, 2023. The presentation currency of Vision Deal is HK\$. The amounts extracted from the statement of cash flows of Vision Deal for the period ended December 31, 2022 were translated to RMB at the exchange rate of HK\$1.00 to RMB0.8555.

Note 3: The adjustment represents reversal of fair value changes on preferred shares of the Target Group as it is assumed that the De-SPAC Transaction was completed on January 1, 2022 and [79,371,279] preferred shares of the Target Company were converted into ordinary shares at par value of US\$[0.0001] per share as part of the De-SPAC Transaction.

Note 4: The adjustment represents the estimated professional fees and expenses of RMB[109,393,000] to be paid by the Successor Group relating to the De-SPAC Transaction upon completion of the De-SPAC Transaction.

Under Scenario (I), RMB[10,841,000] of the payment is attributable to professional fees and expenses to be accounted for as a deduction from equity and is recorded under financing activities in the unaudited pro forma consolidated statement of cash flows.

Under Scenario (II), RMB[1,781,000] of the payment is attributable to professional fees and expenses to be accounted for as a deduction from equity and is recorded under financing activities in the unaudited pro forma consolidated statement of cash flows.

Note 5: The adjustment represents the proceeds from PIPE Investors, net off against the consideration paid to the Target Disposing Shareholders for the Target Disposing Shares pursuant to the Share Transfer Agreements and the transaction costs in connection with the PIPE Investment.

Under Scenario (I), proceeds of HK\$[610,000,000] (equivalent to RMB[521,825,000]) is expected to be received from PIPE Investors, of which HK\$[298,000,000] (equivalent to RMB[254,924,000]) will be paid to the Target Disposing Shareholders for the Target Disposing Shares and the transaction costs in connection with the PIPE Investment is estimated to be HK\$[24,400,000] (equivalent to RMB[20,873,000]). Payment in connection with the transaction costs for the PIPE Investment not attributable to the Target Disposing Shares of HK\$[12,480,000] (equivalent to RMB[10,676,000]) is recorded under financing activities in the unaudited pro forma consolidated statement of cash flows.

Under Scenario (II), proceeds of HK\$[576,000,000] (equivalent to RMB[492,739,000]) is expected to be received from PIPE Investors, of which HK\$[298,000,000] (equivalent to RMB[254,924,000]) will be paid to the Target Disposing Shareholders for the Target Disposing Shares and the transaction costs in connection with the PIPE Investment is estimated to be HK\$[23,040,000] (equivalent to RMB[19,710,000]). Payment in connection with the transaction costs for the PIPE Investment not attributable to the Target Disposing Shares of HK\$[11,120,000] (equivalent to RMB[9,513,000]) is recorded under financing activities in the unaudited pro forma consolidated statement of cash flows.

Note 6: The adjustment represents the proceeds from the release of the anticipated amount held in the Escrow Account (i.e. restricted cash) to cash and cash equivalents of the Successor Group upon the completion of the De-SPAC Transaction.

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Under Scenario (I), as no Vision Deal Class A shares are redeemed, all of the restricted cash amounted to HK\$1,001,000,000 (equivalent to RMB856,305,000) would be reclassified as cash and cash equivalents of the Successor Group, while under Scenario (II), as all of the Vision Deal Class A shares are redeemed, all of the restricted cash would be repaid to those Vision Deal Class A Shareholders prior to the completion of the De-SPAC Transaction.

Note 7: The amount represents the adjustment on the share-based compensation expenses in relation to the Earn-out Rights which does not expect to have cash flow impact to the Successor Group in 2022.

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C. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE SUCCESSOR GROUP AS AT JUNE 30, 2023

	Unaudited pro forma adjusted consolidated net tangible assets of the Successor Group RMB'000 Note 1	Unaudited pro forma adjusted consolidated net tangible assets of the Successor Group per share RMB Note 2	Unaudited pro forma adjusted consolidated net tangible assets of the Successor Group per share HK\$ Note 3
Consolidated net tangible assets attributable to owners of the Successor Company			
Scenario (I)	[2,325,717]	[2.38]	[2.58]
Scenario (II)	[1,372,701]	[1.57]	[1.70]

Note 1: The unaudited pro forma adjusted consolidated net tangible assets of the Successor Group as at June 30, 2023 is based on the amount of the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Successor Company as at June 30, 2023 of approximately RMB[2,658,486,000] and RMB[1,705,470,000] under Scenario (I) and Scenario (II) respectively, with an adjustment for intangible assets attributable to the owners of the Successor Company as at June 30, 2023 of approximately RMB[332,769,000] under Scenario (I) and Scenario (II).

Note 2: The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Successor Group per share under Scenario (I) and Scenario (II) is [977,845,000] and [874,345,000] respectively after completion of the De-SPAC Transaction as at June 30, 2023, with details set out in the section headed “Letter From the Vision Deal Board – Expected Shareholding in the Successor Company and Potential Dilution Effect of the De-SPAC Transaction”.

Note 3: For the purpose of this unaudited pro forma adjusted consolidated net tangible assets of the Successor Group per share, the amounts stated in RMB are converted into HK\$ at a rate of RMB0.9220 to HK\$1.00. No representation is made that RMB amounts have been, could have been or may be converted to HK\$, or vice versa, at that rate.

Note 4: No adjustment has been made to reflect any trading result or other transactions of the Successor Group entered into subsequent to June 30, 2023. In particular, the above unaudited pro forma adjusted consolidated net tangible assets of the Successor Group per share had not been taken into account the interim dividends of HK\$300,000,000 declared subsequent to June 30, 2023. Had the interim dividends of HK\$300,000,000 been declared on June 30, 2023, the unaudited pro forma adjusted consolidated net tangible assets of the Successor Group attributable to equity holders of the Successor Company as at June 30, 2023 would be approximately RMB[2,049,117,000] and RMB[1,096,101,000] under Scenario (I) and Scenario (II) respectively, while the unaudited pro forma adjusted consolidated net tangible assets of the Successor Group attributable to equity holders of the Successor Company per share as at June 30, 2023 would be RMB[2.10] (equivalent to HK\$[2.27]) under Scenario (I) and RMB[1.25] (equivalent to HK\$[1.36]) under Scenario (II) respectively.

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D. REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report on the unaudited pro forma financial information of the Successor Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

[Letterhead of PricewaterhouseCoopers]

[DRAFT]

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
SUCCESSOR GROUP**

To the Directors of Quwan Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of the Successor Group (as defined in the circular issued by Vision Deal HK Acquisition Corp. (“the Company”) dated [●] (the “Circular”)) by the directors of Quwan Holding Limited (the “Target Company”) (“the Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at June 30, 2023, the unaudited pro forma consolidated income statement for the year ended December 31, 2022, the unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2022, the unaudited pro forma consolidated statement of cash flows for the year ended December 31, 2022, the unaudited pro forma statement of adjusted consolidated net tangible assets of the Successor Group as at June 30, 2023 and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages III-[1] to III-[36] of the Circular, in connection with the De-SPAC Transaction (as defined in the Circular). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-[1] to III-[36] of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed De-SPAC Transaction on the financial position of the Target Company and its subsidiaries (the “Target Group”) as at June 30, 2023 and the Target Group’s financial performance and cash flows for the year ended December 31, 2022 as if the De-SPAC Transaction had taken place on June 30, 2023 and January 1, 2022 respectively. As part of this process, information about the Target Group’s consolidated financial position, consolidated financial performance and consolidated cash flows has been extracted by the Directors from the accountant’s report of the Target Group as set out in the Appendix I to the Circular.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION
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Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Target Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the De-SPAC Transaction at June 30, 2023 or January 1, 2022 respectively would have been as presented.

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A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Successor Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Target Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong, [date]

APPENDIX IIIA PROFIT/(LOSS) ESTIMATE OF THE TARGET GROUP

The estimate of the consolidated profit of the Target Group for the year [ended] December 31, 2023 is set out in the section headed “Financial Information of the Target Group – Profit/(Loss) Estimate for the year [ended] December 31, 2023”

(A) OVERVIEW

The Target Company Directors estimate that, on the bases set out in Part B of this Appendix IIIA and in the absence of unforeseen circumstances, the estimated consolidated profit/(loss) of the Target Group for the year [ended] December 31, 2023 attributable to the owners of the Target Company being no less/more than RMB[●] million.

(B) BASES

The Target Company Directors have prepared the estimated consolidated profit of the Target Group for the year [ended] December 31, 2023 based on (i) the audited consolidated results of the Target Group for the [nine] months ended [September 30], 2023 and (ii) the unaudited consolidated results based on the management accounts of the Target Group for the [three] months [ended] December 31, 2023. The profit/(loss) estimate has been prepared by the Target Company Directors on a basis consistent in all material respects with the accounting policies that the Target Company normally adopt as set out in the Accountant’s Report, the text of which is set out in Appendix I to this circular.

(C) LETTER FROM THE REPORTING ACCOUNTANT

[●]

(D) LETTER FROM THE SOLE SPONSOR

[●]

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PRC TAX

PRC Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “Enterprise Income Tax Law”), which was issued by the National People’s Congress on March 16, 2007 and last revised by the SCNPC on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》) (the “Enterprise Income Tax Regulation”), issued by the State Council on December 6, 2007 and became effective on January 1, 2008 and recently amended on April 23, 2019 and became effective on the same date, taxpayers consist of resident enterprises and non-resident enterprises. Enterprises that are established in China under the PRC laws, or that are established under the laws of foreign countries or regions but whose “de facto management bodies” are located in the PRC, are considered as resident enterprises. Enterprises that are established under the laws of foreign countries or regions and whose “de facto management bodies” are located 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, are considered as non-resident enterprises. The defined “de facto management bodies” are “establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, and properties” of the enterprise. The enterprise income tax is set at the rate of 25% for the global income of resident enterprises. If non-resident enterprises have no established institutions or premises in the PRC, or have established such institutions or premises but there is no actual relationship between the relevant income derived in the PRC and such established institutions or premises, the enterprise income tax is set at the rate of 10% for its income sourced from inside the PRC.

On February 3, 2015, the SAT issued the Announcement of the SAT on Several Issues concerning the Enterprise Income Tax on Income from the 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”). SAT Circular 7 provided comprehensive guidelines relating to, and also heightened the mainland Chinese tax authorities’ scrutiny over, Indirect Transfers by a non-resident enterprise of mainland Chinese taxable assets. Under SAT Circular 7, the tax authorities in mainland China are entitled to reclassify the nature of an Indirect Transfer of mainland Chinese taxable assets, when a non-resident enterprise transfers mainland Chinese taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such mainland Chinese taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of mainland Chinese enterprise income taxes and without any other reasonable commercial purpose. However, SAT Circular 7 contains certain exemptions, including: (i) where a non-resident enterprise derives income from the Indirect Transfer of mainland Chinese taxable assets by acquiring and selling shares of an overseas listed company which holds such mainland Chinese taxable assets on a public market; and (ii) where there is an Indirect Transfer

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of mainland Chinese taxable assets, but if the non-resident enterprise had directly held and disposed of such mainland Chinese taxable assets, the income from the transfer would have been exempted from enterprise income tax in mainland China under an applicable tax treaty or arrangement.

On October 17, 2017, the SAT issued the Circular on the Source of Deduction of Income Tax for 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》) ("SAT Circular 37"), which became effective on December 1, 2017 and abolished certain provisions in SAT Circular 7. Pursuant to SAT Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, the non-resident enterprise receiving such income should declare and pay the taxes that should have been deducted to the relevant tax authority. The taxable gain is calculated as the income from such transfer net of the net book value of equity interest.

Value-Added Tax

According to the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例》) (the "VAT"), issued by the State Council on December 13, 1993 and last revised on November 19, 2017, and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) issued by the Ministry of Finance (the "MOF"), on December 25, 1993 and last revised on October 28, 2011, entities and individuals selling goods in the PRC or providing processing services, repair services and importation services should be subject to VAT, and the payable tax amount shall be calculated by deducting input tax for the current period from output tax for the current period.

According to the Notice of Taxation on Implementing the Pilot Program of Replacing Business Tax with VAT in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) issued jointly by the MOF and SAT on March 23, 2016 and partly amended by the MOF, SAT and the General Administration of Customs on March 20, 2019 and which became effective on April 1, 2019, the countrywide pilot practice of levying VAT in lieu of business tax (the "Pilot Practice"), has been carried out since May 1, 2016. According to the specific regulatory documents for the Pilot Practice, including the Implementation Measures for the Pilot Practice of Levying VAT in lieu of Business Tax (《營業稅改徵增值稅試點實施辦法》), the VAT rates vary from 17%, 11%, 6%, 3% to 0% for taxpayers incurring taxable activities. According to the Notice of the MOF and SAT on Adjusting the Value-added Tax Rate (《財政部、國家稅務總局關於調整增值稅稅率的通知》) effective on May 1, 2018, the VAT tax rates on sales, imported goods that were previously subject to 17% and 11% are now adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and came into effect on April 1, 2019, the VAT tax rates on sales, imported goods that were previously subject to 16% and 10% are now adjusted to 13% and 9%, respectively.

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Dividend Withholding Tax

According to the Enterprise Income Tax Law and the Enterprise Income Tax Regulation (《企業所得稅法實施條例》), dividends generated after January 1, 2008 and payable by foreign-invested enterprises in the PRC to foreign enterprise investors shall be subject to a 10% withholding tax unless a tax treaty with different withholding tax arrangements has been made between the PRC and the jurisdiction of the relevant foreign enterprises. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes 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》) issued by SAT on August 21, 2006 and came into effect on December 8, 2006, if the shareholders of a PRC company are Hong Kong residents holding at least 25% of the registered capital of the PRC company, a withholding tax rate of 5% applies to any dividends declared by the PRC company, or if the shareholders of a PRC company are Hong Kong residents holding less than 25% of registered capital, a withholding income tax rate of 10% applies.

According to Announcement of SAT on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《國家稅務總局關於發布<非居民納稅人享受稅收協定待遇管理辦法>的公告》) effective on November 1, 2015 and partly amended on June 15, 2018 which is replaced by the Notice of SAT on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《國家稅務總局關於發布<非居民納稅人享受協定待遇管理辦法>的公告》) issued on October 14, 2019 and effective on January 1, 2020, the withholding tax rate of 5% does not automatically apply, and 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.

Pursuant to the Announcement on Matters Concerning “Beneficial Owners” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), issued by the SAT on February 3, 2018 and came into effect on April 1, 2018, when determining an applicant's “beneficial owner” status regarding tax treatments in connection with dividends, interests or royalties in tax treaties, several factors set forth below will be taken into account, although the actual analysis will be fact-specific: (i) whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in a third country or region; (ii) whether the business operated by the applicant constitutes a substantial business operation; and (iii) whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate. The applicant must submit relevant documents to the competent tax authorities to prove his or her “beneficial owner” status.

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Foreign Exchange

According to the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), issued by the State Council on January 29, 1996 and last revised on August 5, 2008, the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, as well as the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals, shall be subject to foreign exchange administration. Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside of the PRC unless the approval from the State Administration of Foreign Exchange (the “SAFE”), or its local counterpart is obtained in advance.

Pursuant 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》), which was issued by the SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of an publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with SAFE or its local branches through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures with respect to the stock incentive plan.

On July 4, 2014, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《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”), which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE on October 21, 2005. The 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, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” Pursuant to the SAFE Circular 37, “control” refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. The SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as change of shareholders of the special purpose vehicle, 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

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activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On March 30, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《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”), which took effect on June 1, 2015 and amended in 2019 and 2023, in replacement of former regulations. Under the SAFE Circular 19, a foreign-invested enterprise, within the scope of business, may also choose to convert its registered capital from foreign currency to RMB on a discretionary basis, and the RMB capital so converted can be used for equity investments within PRC, which will be regarded as the reinvestment of foreign-invested enterprise.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated on February 13, 2015 and became effective on June 1, 2015, and amended on December 30, 2019, the foreign exchange administration policies for direct investment are further simplified. This includes: (a) canceling the two administrative approvals, namely the foreign exchange registration approvals under domestic and overseas direct investments, which shall be verified directly by banks instead; (b) simplifying the management of registration and confirmation of capital contribution by foreign investors under domestic direct investment; and (c) canceling the annual foreign exchange inspection of direct investments.

In addition, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《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 “Circular 16”), effective on June 9, 2016, which reiterates some of the rules set forth in the Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties.

On January 26, 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》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years’ losses before remitting the profits.

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TAXATION AND FOREIGN EXCHANGE

Moreover, pursuant to this circular, domestic entities should 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.

On October 23, 2019, the SAFE promulgated the Notice for Further Advancing 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》), which, among other things, allows all FIEs to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange Administration 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》) (the “SAFE Circular 8”) promulgated and effective on April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

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SUMMARY OF THE CONSTITUTION OF THE SUCCESSOR COMPANY

1 Memorandum of Association

The Memorandum of Association of Quwan Holding Limited (趣丸集团) was conditionally adopted on December 8, 2023 and states, inter alia, that the liability of the members of the Successor Company is limited, that the objects for which the Successor Company is established are unrestricted and the Successor Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Successor Company as specified in Appendix IX in the section headed “Documents on Display”.

2 Articles of Association

The Articles of Association of the Successor Company were conditionally adopted on December 8, 2023 and include provisions to the following effect:

2.1 *Directors*

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Successor Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Successor Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Successor Company shall be managed by the Directors who may exercise all the powers of the Successor Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

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(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Successor Company to purchase shares in the Successor Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Successor Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Successor Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Successor Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Successor Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity 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 Successor Company or any of its subsidiaries;

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- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Successor Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and 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 Successor Company or any other company which the Successor Company may promote or be interested in for subscription or purchase where the Director or any of his close associates 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 Successor Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Successor Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such 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 any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Successor Company by virtue only of their interest in shares or debentures or other securities of the Successor Company.

(g) *Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Successor Company, or separate meetings of the holders of any class of shares or debentures of the Successor Company, or otherwise in connection with

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the business of the Successor Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Successor Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Successor Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Successor Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Successor Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Successor Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Successor Company that he resigns the office of Director;

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- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iv) the Director is found to be or becomes of unsound mind; or
- (v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Successor Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Successor Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Successor Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Successor Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

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2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Successor Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Successor Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Successor Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Successor Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Successor Company for the Successor Company's benefit;

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- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary 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 cancelled.

The Successor Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 *Special resolution – majority required*

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Successor Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised 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 and includes a special resolution approved in writing by all of the members of the Successor Company entitled to vote at a general meeting of the Successor Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Successor Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Successor Company aforesaid.

2.6 *Voting rights*

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Successor Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where 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.

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In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Successor Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Successor Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Successor Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Successor Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Successor Company or at any general meeting of any class of members of the Successor Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Successor Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

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2.7 Annual general meetings and extraordinary general meetings

The Successor Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Successor Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Successor Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Successor Company in Hong Kong or, in the event the Successor Company ceases to have such a principal office, the registered office of the Successor Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

The Directors may make communication facilities (i.e. video, video-conferencing, internet or online conferencing applications, telephone or tele-conferencing and/or any other video-communication, internet or online conferencing applications or telecommunications facilities by means of which all persons participating in a meeting are capable of hearing or being heard by each other) available for a specific general meeting or all general meetings so that members and other participants may attend and participate at such general meeting by means of such communication facilities. Without limiting the generality of the foregoing, the Directors may determine that any general meeting may be held as a virtual meeting (i.e. a meeting at which the members and other participants of the meeting are permitted to attend and participate solely by means of communication facilities).

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2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Successor Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Successor Company and the assets and liabilities of the Successor Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Successor Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Successor Company or any of them shall be open to the inspection of members of the Successor Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Successor Company except as conferred by the Companies Act or authorised by the Directors or by the Successor Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Successor Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Successor Company for the period covered by the profit and loss account and the state of the Successor Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Successor Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Successor Company who shall hold office until the next annual general meeting. The Successor Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Successor Company unless such person is independent of the Successor Company. The remuneration of the auditors shall be fixed by the Successor Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which 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. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall

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specify the place (which, in the case of a virtual meeting, includes a virtual place), the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Successor Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Successor Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

The notice of any general meeting (including a postponed or reconvened meeting) at which communication facilities will be utilised (including any virtual meeting) shall specify the communication facilities that will be utilised, including the procedures to be followed by any member or other participants of the general meeting who wishes to utilise such communication facilities for the purpose of attending, participating and voting at such meeting.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place (whether physical or virtual) specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place (whether physical or virtual).

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Successor Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Successor Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

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- (b) the Directors shall fix the date, time and place (whether physical or virtual) for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place (which, in the case of a virtual meeting, includes a virtual place) at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Successor Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Successor Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Successor Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Successor Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

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- (e) the shares concerned are free of any lien in favour of the Successor Company;
and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Successor Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Successor Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Successor Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Successor Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Successor Company to purchase its own shares

Subject to the provisions of the Companies Act, the Successor Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Successor Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Successor Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Successor Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Successor Company lawfully available therefor, provided no dividends shall

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exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Successor Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Successor Company such interim dividends as appear to the Directors to be justified by the profits of the Successor Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Successor Company all sums of money (if any) then payable by the member to the Successor Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Successor Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Successor Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Successor Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Successor Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Successor Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Successor Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Successor Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Successor Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Successor Company to elect to receive such dividend in cash in lieu of such allotment.

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Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Successor Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Successor Company.

The Directors, with the sanction of the members of the Successor Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Successor Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Successor Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Successor Company entitled to attend and vote at a general meeting of the Successor Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Successor Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

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The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Successor Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Successor Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Successor Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Successor Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Successor Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Successor Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

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A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Successor Company in respect of the forfeited shares and shall surrender to the Successor Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Successor Company all monies which at the date of forfeiture were payable by him to the Successor Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Successor Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Successor Company shall maintain or cause to be maintained the register of members of the Successor Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Successor Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Successor Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Successor Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Successor Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Successor Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Successor Company is described in paragraph 2.3 above.

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2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Successor Company may by special resolution resolve that the Successor Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Successor Company shall be insufficient to repay the whole of the Successor Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Successor Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Successor Company shall be more than sufficient to repay the whole of the Successor Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Successor Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Successor Company shall be wound up, the liquidator may with the approval of a special resolution of the Successor Company and any other approval required by the Companies Act, divide amongst the members of the Successor Company in kind the whole or any part of the assets of the Successor Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Successor Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Successor Company as the liquidator, with the like approval, shall think fit, but so that no member of the Successor Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

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2.21 Untraceable members

The Successor Company shall be entitled to sell any shares of a member of the Successor Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Successor Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Successor Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Successor Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Successor Company and upon receipt by the Successor Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Successor Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 29, 2019 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Successor Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

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The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a 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:

- (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) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company

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redeem or purchase its shares unless they are fully paid. 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 member of the company holding shares. 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

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Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act 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.

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11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person 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, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

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14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is 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 shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 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 the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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 shareholders.

16 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, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and

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- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Successor Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Successor Company or its operations; and

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- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Successor Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

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 Successor Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Successor Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Successor Company's legal advisers on Cayman Islands law, have sent to the Successor Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on Display" in Appendix IX. 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 VI

**SUMMARY OF THE PRIVATE COMPANY
MEMORANDUM AND ARTICLES OF VISION DEAL**

SUMMARY OF THE CONSTITUTION OF VISION DEAL

1 Memorandum of Association

The Memorandum of Association of Vision Deal HK Acquisition Corp. ("**Vision Deal**") will be adopted on [●] and include provisions to the following effect:

1.1 Objects

The objects for which Vision Deal is established are unrestricted and Vision Deal shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

1.2 Limited Liability of Members

The liability of each member is limited to the amount unpaid on such member's shares.

1.3 Authorised Share Capital

The share capital of Vision Deal is HK\$110,000 divided into 1,100,000,000 shares of a par value of HK\$0.0001 each.

2 Articles of Association

The Articles of Association of Vision Deal will be adopted on [●] and include provisions to the following effect:

2.1 Directors' Power to Issue Shares

Subject to the provisions, if any, in the Memorandum and Articles of Association (and to any direction that may be given by Vision Deal in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares (including fractions of a share) with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper, and may also vary such rights.

Vision Deal shall not issue shares to bearer.

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MEMORANDUM AND ARTICLES OF VISION DEAL**

2.2 Transfer of Shares

Shares are transferable subject to the approval of the Directors by resolution who may, in their absolute discretion, decline to register any transfer of shares without giving any reason. If the directors refuse to register a transfer they shall notify the transferee within two months of such refusal.

The instrument of transfer of any share shall be in writing and shall be executed by or on behalf of the transferor (and if the Directors so require, signed by or on behalf of the transferee). 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.

2.3 Redemption, Repurchase and Surrender of Shares

Vision Deal may issue shares on terms that such shares are subject to redemption, at the option of Vision Deal or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by the Board of Directors or by a special resolution of the shareholders. Vision Deal may also repurchase any of Vision Deal's shares provided that the manner and terms of such purchase have been approved by the Board of Directors or by ordinary resolution of the shareholders, or are otherwise authorized by the Memorandum and Articles of Association. Under the Companies Act, the redemption or repurchase of any share may be paid out of Vision Deal's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve fund) if Vision Deal can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if Vision Deal has commenced liquidation. In addition, Vision Deal may accept the surrender of any fully paid share for no consideration.

2.4 Variation of Rights of Shares

The rights attaching to any class of shares may, subject to any rights or restrictions for the time being attached to any class, be varied only with the consent in writing of the holders of not less than two-thirds of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than two-thirds of the votes cast at a separate meeting of the holders of the shares of that class.

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2.5 Changes in Share Capital

Vision Deal may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as Vision Deal in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (c) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up shares of any denomination;
- (d) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the memorandum or into shares without par value; and
- (e) cancel any shares that at the date of the passing of the ordinary 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 cancelled.

2.6 General Meetings of Shareholders

Vision Deal may, but shall not be obliged to, in each year hold a general meeting as its annual general meeting, and shall specify the meeting as such in the notices calling it. Any annual general meeting shall be held at such time and place as the Directors shall appoint and if no other time and place is prescribed by them, it shall be held at the registered office on the second Wednesday in December of each year at ten o'clock in the morning. At these meetings the report of the Directors (if any) shall be presented.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of Vision Deal. A members' requisition is a requisition of members holding at the date of deposit of the requisition not less than 10% in par value of the issued shares which as at that date carry the right to vote at general meetings of Vision Deal.

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At least five clear days' notice shall be given of any general meeting. Every notice shall specify the place, the day and the hour of the meeting and the general nature of the business to be conducted at the general meeting and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by Vision Deal, provided that a general meeting of Vision Deal shall, whether or not the notice specified in this Article has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all of the members entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

Two members being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative or proxy shall be a quorum unless Vision Deal has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy or (in the case of a corporation or other non-natural person) by its duly authorised representative or proxy.

2.7 *Voting Rights*

In respect of matters requiring shareholders' vote, on a show of hands every Member who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative or by proxy, shall have one vote and on a poll every member present in any such manner shall have one vote for every Share of which they are the holder.

On a poll, a member holding more than one share need not cast the votes in respect of their shares in the same way on any resolution and therefore may vote a share or some or all such shares either for or against a resolution and/or abstain from voting a share or some or all of the shares and, subject to the terms of the instrument appointing the proxy, a proxy appointed under one or more instruments may vote a share or some or all of the shares in respect of which they are appointed either for or against a resolution and/or abstain from voting a share or some or all of the shares in respect of which they are appointed.

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An ordinary resolution means a resolution passed by a simple majority of the members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each member is entitled by the Articles. A special resolution means a resolution passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person 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. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association.

2.8 Directors Borrowing Powers

The Directors may exercise all the powers of Vision Deal to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of Vision Deal or of any third party.

2.9 Appointment and Removal of Directors

Vision Deal may by ordinary resolution appoint any person to be a Director or may by ordinary resolution remove any Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors.

Vision Deal in general meeting may fix a minimum shareholding required to be held by a Director, but unless and until such a shareholding qualification is fixed a Director is not required to hold shares.

The office of a Director shall be vacated if:

- (a) the Director gives notice in writing to Vision Deal that they resign the office of Director; or
- (b) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by them) from three consecutive meetings of the board of Directors without special leave of absence from the Directors, and the Directors pass a resolution that they have by reason of such absence vacated office; or

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- (c) the Director dies, becomes bankrupt or makes any arrangement or composition with their creditors generally; or
- (d) the Director is found to be or becomes of unsound mind; or

all of the other Directors (being not less than two in number) determine that the Director should be removed as a Director, either by a resolution passed by all of the other Directors at a meeting of the Directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other Directors.

2.10 Proceedings of the Board

The quorum for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two if there are two or more Directors, and shall be one if there is only one Director.

The Directors may regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided 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.

2.11 Directors' Interests

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with Vision Deal, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of Vision Deal in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to Vision Deal for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established. A Director (or their alternate Director in their absence) shall be at liberty to vote in respect of any contract or transaction in which they are interested provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A general notice that a Director or alternate Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which they have an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

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2.12 Remuneration of Directors

The remuneration of the Directors shall be determined by the Directors. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of Vision Deal, or separate meetings of the holders of any class of shares or debentures of Vision Deal, or otherwise in connection with the business of Vision Deal or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

2.13 Dividends

The Directors may resolve to pay dividends and other distributions on Shares in issue and authorise payment of the dividends or other distributions out of the funds of Vision Deal lawfully available therefor. No dividend or other distribution shall be paid except out of the realised or unrealised profits of Vision Deal, out of the share premium account or as otherwise permitted by law.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the par value of the shares that a member holds. If any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Any dividend or other distribution which cannot be paid to a member and/or which remains unclaimed after six months from the date on which such dividend or other distribution becomes payable may, in the discretion of the directors, be paid into a separate account in Vision Deal's name, provided that Vision Deal shall not be constituted as a trustee in respect of that account and the dividend or other distribution shall remain as a debt due to the member. Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or other distribution becomes payable shall be forfeited and shall revert to Vision Deal.

2.14 Winding Up

On a winding up of Vision Deal, if the assets available for distribution amongst the members shall be insufficient to repay the whole of Vision Deal's issued share 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 par value of the shares held by them. If the assets available for distribution amongst the members shall be more than sufficient to repay the whole of Vision Deal's issued share capital at the commencement of the winding up, the surplus shall be distributed amongst the members in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to Vision Deal for unpaid calls or otherwise.

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A. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Vision Deal and the Target Group.

The Directors of Vision Deal collectively and individually accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Target Group). The Directors of Vision Deal, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than that relating to the Target Group) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters (other than those relating to the Target Group) the omission of which would make any statement in this circular misleading.

The Directors of the Target Company collectively and individually accept full responsibility for the accuracy of the information contained in this circular (other than that in relation to Vision Deal). The Directors of the Target Company, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than that relating to Vision Deal) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters (other than those relating to Vision Deal) the omission of which would make any statement in this circular misleading.

B. FURTHER INFORMATION ABOUT THE SUCCESSOR GROUP

1. Incorporation of Vision Deal

Vision Deal was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on January 20, 2022.

Vision Deal has established a place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. Vision Deal was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on March 8, 2022, with Ms. Sze Ting Chan (陳詩婷) appointed as the authorized representative of Vision Deal on February 10, 2022 for acceptance of the service of process and any notices required to be served on Vision Deal in Hong Kong.

2. Changes in the share capital of Vision Deal

As of the date of incorporation of Vision Deal, the authorized share capital of Vision Deal was HK\$110,000.00 divided into 1,000,000,000 class A ordinary shares of a par value of HK\$0.0001 each and 100,000,000 class B ordinary shares of a par value of HK\$0.0001 each.

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- (d) conditional on the Listing Committee granting approval of the listing of, and permission to deal in, the Successor Company Shares and Successor Company Warrants,
 - (i) the Listing, the De-SPAC Transaction, and the allotment and issue of Successor Company Shares and the Successor Company Warrants were approved;
 - (ii) a general unconditional mandate was given to the Successor Company Directors to exercise all the powers of the Successor Company to allot, issue and deal with the Successor Company Shares or securities convertible into the Successor Company Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive the Successor Company Shares) which might require the Successor Company Shares to be allotted, issued or dealt with, otherwise than pursuant to the De-SPAC Transaction or pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by the Successor Company from time to time on a specific authority granted by the Successor Company Shareholders in general meeting or, pursuant to the allotment and issue of the Successor Company Shares in lieu of the whole or part of a dividend on the Successor Company Shares in accordance with the Successor Company Articles, the Successor Company Shares not exceed 20% of the number of the Successor Company Shares in issue immediately following completion of the De-SPAC Transaction, such mandate to remain in effect until the conclusion of the next annual general meeting of the Successor Company, or the expiration of the period within which the next annual general meeting of the Successor Company is required to be held by the Successor Company Articles or any applicable laws, or until revoked or varied by an ordinary resolution of the Successor Company Shareholders in general meeting, whichever is the earliest;
 - (iii) a general unconditional mandate was given to the Successor Company Directors authorizing them to exercise all the powers of the Successor Company to repurchase the Successor Company Shares and the Successor Company Warrants on the Stock Exchange or on any other approved stock exchange on which the securities of the Successor Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of the Successor Company Shares will represent up to 10% of the number of the Successor Company Shares in issue and such number of the Successor Company Warrants will represent up to 10% of the number of the Successor Company Warrants in issue immediately following the completion of the De-SPAC Transaction, such mandate to remain in effect until the conclusion of the next annual general meeting of the Successor Company, or the expiration of the period within which the next annual general meeting of the Successor Company is required to be held by the Successor Company Articles or any applicable laws, or until revoked or varied by an ordinary resolution of the Successor Company Shareholders in general meeting, whichever occurs first;

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- (iv) the general mandate mentioned in paragraph (ii) above be extended by the addition to the number of the Successor Company Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by the Successor Company Directors pursuant to such general mandate of an amount representing the number of the Successor Company Shares and the number of the Successor Company Warrants repurchased by the Successor Company pursuant to the mandate to purchase shares referred to in paragraph (iii) above; and
- (v) immediately upon the completion of the De-SPAC Transaction, each Series Angel Preferred Share, Series A Preferred Share, Series B Preferred Share, Series B+ Preferred Share and Series C Preferred Share of the Target Company be converted into the Successor Company Shares at the then effective applicable conversion price upon the completion of the De-SPAC Transaction.

Resolutions of the Successor Company Shareholders were passed on [●], 2023, pursuant to which the rules of the Post-Listing Share Incentive Plan were approved and adopted and the Successor Company Directors were authorized, at their absolute discretion, to grant options or awards to subscribe for the Successor Company Shares under the Post-Listing Share Incentive Plan and to allot, issue and deal with the Successor Company Shares pursuant to the exercise of options or vesting of awards granted under the Post-Listing Share Incentive Plan.

4. Corporate Reorganization

The companies comprising the Successor Group underwent the Reorganization in preparation for the listing of the Successor Company Shares on the Stock Exchange. See the section headed “History, Reorganization and Corporate Structure of the Target Group” for information relating to the Reorganization.

5. Changes in the Capital of the Target Group

The Target Group’s subsidiaries during the Track Record Period are set out in the Accountant’s Report set out in Appendix I to this circular. Save as disclosed below, there has been no alteration in the share capital of any of the Target Company or any of its subsidiaries within the two years immediately preceding the date of this circular.

The Target Company

On January 3, 2023, the Target Company issued 1,050,000 ordinary shares to Funplus.

Zhuhai Huitou

On February 28, 2023, the registered capital of Zhuhai Huitou increased from RMB50,000,000 to RMB1,200,000,000.

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Guangzhou Qucheng

On March 3, 2023, the registered capital of Guangzhou Qucheng increased from RMB1,000,000 to RMB30,000,000.

Guangzhou Gaimu

On March 6, 2023, the registered capital of Guangzhou Gaimu increased from RMB1,000,000 to RMB30,000,000.

Shanghai Xiaojianbing

On March 7, 2023, the registered capital of Shanghai Xiaojianbing increased from RMB1,000,000 to RMB1,200,000,000.

Guangzhou Quyuan

On April 21, 2023, the registered capital of Guangzhou Quyuan increased from RMB30,000,000 to RMB200,000,000.

Guangzhou Anglai

On April 23, 2023, the registered capital of Guangzhou Anglai increased from RMB1,000,000 to RMB160,000,000.

On November 6, 2023, the registered capital of Guangzhou Anglai increased from RMB160,000,000 to RMB410,000,000.

Guangzhou Xinyan

On September 18, 2023, the registered capital of Guangzhou Xinyan increased from RMB1,200,000 to RMB1,904,800.

6. Repurchases of Successor Company Shares by Successor Company

(a) Provisions of the Listing Rules

Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of the Successor Company Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Successor Company Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

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Pursuant to a resolution passed by the Successor Company Shareholders on December 8, 2023, a general mandate (the “**Repurchase Mandate**”) was given to the Directors of the Successor Company authorizing any repurchase by the Successor Company of the Successor Company Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of the Successor Company Shares in issue and not more than 10% of the number of the Successor Company Warrants in issue immediately following the completion of the De-SPAC Transaction until the conclusion of the Successor Company’s next annual general meeting, or the date by which the Successor Company’s next annual general meeting is required by the Successor Company Articles or any applicable law to be held, or the passing of an ordinary resolution by the Successor Company Shareholders revoking or varying the authority given to the Successor Company Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Successor Company Articles and the applicable laws of the Cayman Islands. A listed company may not repurchase 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.

(iii) Trading restrictions

The total number of the Successor Company Shares which the Successor Company may repurchase is up to 10% of the total number of the Successor Company Shares in issue immediately after the completion of the De-SPAC Transaction. The Successor Company may not issue or announce a proposed issue of the Successor Company Shares for a period of 30 days immediately following a repurchase of the Successor Company Shares without the prior approval of the Stock Exchange. The Successor Company is also prohibited from repurchasing the Successor Company Shares on the Stock Exchange if the repurchase would result in the number of listed Successor Company Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. The Successor Company is required to procure that the broker appointed by the Successor Company to effect a repurchase of the Successor Company Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 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.

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(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Successor Company Shares must be canceled and destroyed.

(v) Suspension of repurchase

Pursuant to the Listing Rules, the Successor Company may not make any repurchases of the Successor Company Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Successor Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Successor Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Successor Company to publish an announcement of the Successor Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the Successor Company may not repurchase the Successor Company Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of the Successor Company Shares 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 Stock Exchange business day following any day on which the Successor Company may make a purchase of the Successor Company Shares. The report must state the total number of the Successor Company Shares purchased the previous day, the purchase price per Successor Company Share or the highest and lowest prices paid for such purchases. In addition, the Successor Company's annual report is required to disclose details regarding repurchases of the Successor Company Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Successor Company Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

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(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Successor Company Directors believe that it is in the best interests of the Successor Company and the Successor Company Shareholders for the Successor Company Directors to have general authority from the Successor Company Shareholders to enable the Successor Company Directors to repurchase the Successor Company Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Successor Company Share and/or earnings per Successor Company Share and will only be made where the Successor Company Directors believe that such repurchases will benefit the Successor Company and the Successor Company Shareholders.

(c) Funding of repurchases

In repurchasing securities, the Successor Company may only apply funds legally available for such purpose in accordance with Successor Company Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this circular and taking into account the current working capital position, the Successor Company Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Successor Company as compared with the position disclosed in this circular. The Successor Company Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Successor Company which in the opinion of the Successor Company Directors are from time to time appropriate for the Successor Company.

The exercise in full of the Repurchase Mandate, on the basis of 977,845,000 Shares in issue immediately following the completion of the De-SPAC Transaction (assuming the Presumptions), could accordingly result in 97,784,500 Successor Company Shares being repurchased by the Successor Company during the period prior to the earliest occurrence of (1) the conclusion of the next annual general meeting of the Successor Company; (2) the expiration of the period within which the next annual general meeting of the Successor Company is required by the Successor Company Articles or any applicable laws of Hong Kong to be held; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Successor Company Shareholders in general meeting (the "**Relevant Period**").

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(d) General

None of the Successor Company Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Successor Company Shares to the Successor Company.

The Successor Company Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong. The Successor Company have not repurchased any Successor Company Shares since its incorporation.

If, as a result of any repurchase of the Successor Company Shares, a Successor Company Shareholder’s proportionate interest in the voting rights of the Successor Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Successor Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Successor Company Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of the Successor Company Shares which results in the number of the Successor Company Shares held by the public being reduced to less than 25% of the Successor Company Shares then in issue could only be implemented with the approval of the Stock Exchange 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 core connected person has notified the Successor Company that he or she has a present intention to sell the Successor Company Shares to the Successor Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The Successor Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular that are or may be material:

- (a) an exclusive technical service agreement (獨家技術服務協議) dated October 11, 2021 entered into between Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) and Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) pursuant to which Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) agreed to engage Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as its exclusive provider of consulting, technical support and other related services;

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- (b) a shareholder voting rights proxy agreement (股東表決權委託決議) dated October 11, 2021 entered into among Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司), Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司), Song Ke (宋克), Qiu Zhizhao (邱志招), Chen Guangyao (陳光堯), Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (溫州歡趣企業管理合夥企業(有限合夥)), Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合夥)), Guiyang Shengqu Enterprise Management Partnership (Limited Partnership) (貴陽盛趣企業管理合夥企業(有限合夥)), Linxia Shouqu Enterprise Management Partnership (Limited Partnership) (臨夏市首趣企業管理合夥企業(有限合夥)), Guangzhou Quyi Enterprise Management Partnership (Limited Partnership) (廣州趣意企業管理合夥企業(有限合夥)) and Song Guowen (宋國文), pursuant to which Song Ke (宋克), Qiu Zhizhao (邱志招), Chen Guangyao (陳光堯), Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (溫州歡趣企業管理合夥企業(有限合夥)), Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合夥)), Guiyang Shengqu Enterprise Management Partnership (Limited Partnership) (貴陽盛趣企業管理合夥企業(有限合夥)), Linxia Shouqu Enterprise Management Partnership (Limited Partnership) (臨夏市首趣企業管理合夥企業(有限合夥)), Guangzhou Quyi Enterprise Management Partnership (Limited Partnership) (廣州趣意企業管理合夥企業(有限合夥)) irrevocably entrust Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) or its designated person to exercise all rights of the holders of equity interest of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);
- (c) a power of attorney (授權委託書) (the “**Song’s Power of Attorney**”) dated October 11, 2021 executed by Song Ke (宋克), pursuant to which Song Ke (宋克) irrevocably authorizes Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as his attorney to act on his behalf to exercise all his rights as a shareholder in respect of his interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);
- (d) a power of attorney (授權委託書) (the “**Qiu’s Power of Attorney**”) dated October 11, 2021 executed by Qiu Zhizhao (邱志招), pursuant to which Qiu Zhizhao (邱志招) irrevocably authorizes Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as his attorney to act on his behalf to exercise all his rights as a shareholder in respect of his interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);
- (e) a power of attorney (授權委託書) (the “**Chen’s Power of Attorney**”) dated October 11, 2021 executed by Chen Guangyao (陳光堯), pursuant to which Chen Guangyao (陳光堯) irrevocably authorizes Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as his attorney to act on his behalf to exercise all his rights as a shareholder in respect of his interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);

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- (f) a power of attorney (授權委託書) dated October 11, 2021 executed by Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (溫州歡趣企業管理合伙企業(有限合伙)), pursuant to which Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (溫州歡趣企業管理合伙企業(有限合伙)) irrevocably authorizes Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as its attorney to act on its behalf to exercise all its rights as a shareholder in respect of its interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);
- (g) a power of attorney (授權委託書) dated October 11, 2021 executed by Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合伙)), pursuant to which Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合伙)) irrevocably authorizes Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as its attorney to act on its behalf to exercise all its rights as a shareholder in respect of its interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);
- (h) a power of attorney (授權委託書) dated October 11, 2021 executed by Guiyang Shengqu Enterprise Management Partnership (Limited Partnership) (貴陽盛趣企業管理合伙企業(有限合伙)), pursuant to which Guiyang Shengqu Enterprise Management Partnership (Limited Partnership) (貴陽盛趣企業管理合伙企業(有限合伙)) irrevocably authorizes Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as its attorney to act on its behalf to exercise all its rights as a shareholder in respect of its interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);
- (i) a power of attorney (授權委託書) dated October 11, 2021 executed by Linxia Shouqu Enterprise Management Partnership (Limited Partnership) (臨夏市首趣企業管理合伙企業(有限合伙)), pursuant to which Linxia Shouqu Enterprise Management Partnership (Limited Partnership) (臨夏市首趣企業管理合伙企業(有限合伙)) irrevocably authorizes Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as its attorney to act on its behalf to exercise all its rights as a shareholder in respect of its interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);
- (j) a power of attorney (授權委託書) dated October 11, 2021 executed by Guangzhou Quyi Enterprise Management Partnership (Limited Partnership) (廣州趣意企業管理合伙企業(有限合伙)), pursuant to which Guangzhou Quyi Enterprise Management Partnership (Limited Partnership) (廣州趣意企業管理合伙企業(有限合伙)) irrevocably authorizes Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) as its attorney to act on its behalf to exercise all its rights as a shareholder in respect of its interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司);

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- (k) an exclusive call option agreement (獨家轉股期權協議) dated October 11, 2021, entered into among Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司), Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司), Song Ke (宋克), Qiu Zhizhao (邱志招), Chen Guangyao (陳光堯), Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (溫州歡趣企業管理合伙企業(有限合伙)), Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合伙)), Guiyang Shengqu Enterprise Management Partnership (Limited Partnership) (貴陽盛趣企業管理合伙企業(有限合伙)), Linxia Shouqu Enterprise Management Partnership (Limited Partnership) (臨夏市首趣企業管理合伙企業(有限合伙)), Guangzhou Quyi Enterprise Management Partnership (Limited Partnership) (廣州趣意企業管理合伙企業(有限合伙)) and Song Guowen (宋國文), pursuant to which Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) was granted exclusive options to acquire the equity interests in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) and all or part of the assets of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) itself or through its designated person(s);
- (l) an equity pledge agreement (股權質押協議) (the “**Song’s Equity Pledge Agreement**”) dated October 11, 2021, entered into among Song Ke (宋克), Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) and Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司), pursuant to which Song Ke (宋克) agreed to pledge all of his equity interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) to Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) to secure performance of (i) contractual obligations of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of Song Ke (宋克) under the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Song’s Equity Pledge Agreement and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Song’s Equity Pledge Agreement;
- (m) an equity pledge agreement (股權質押協議) (the “**Qiu’s Equity Pledge Agreement**”) dated October 11, 2021, entered into among Qiu Zhizhao (邱志招), Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) and Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司), pursuant to which Qiu Zhizhao (邱志招) agreed to pledge all of his equity interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) to Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) to secure performance of (i) contractual obligations of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the

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Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of Qiu Zhizhao (邱志招) under the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Qiu’s Equity Pledge Agreement and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Qiu’s Equity Pledge Agreement;

- (n) an equity pledge agreement (股權質押協議) (the “**Chen’s Equity Pledge Agreement**”) dated October 11, 2021, entered into among Chen Guangyao (陳光堯), Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) and Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司), pursuant to which Chen Guangyao (陳光堯) agreed to pledge all of his equity interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) to Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) to secure performance of (i) contractual obligations of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of Chen Guangyao (陳光堯) under the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Chen’s Equity Pledge Agreement and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Chen’s Equity Pledge Agreement;
- (o) an equity pledge agreement (股權質押協議) (the “**Huanqu’s Equity Pledge Agreement**”) dated October 11, 2021, entered into among Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (溫州歡趣企業管理合伙企業(有限合伙)), Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司), Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) and Song Ke (宋克), pursuant to which Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (溫州歡趣企業管理合伙企業(有限合伙)) agreed to pledge all of its equity interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) to Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) to secure performance of (i) contractual obligations of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of Wenzhou Huanqu Enterprise Management Partnership (Limited Partnership) (溫州歡趣企業管理合伙企業(有限合伙)) under the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Huanqu’s Equity Pledge Agreement and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Huanqu’s Equity Pledge Agreement;

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- (p) an equity pledge agreement (股權質押協議) (the “**Weiqu’s Equity Pledge Agreement**”) dated October 11, 2021, entered into among Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合伙)), Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司), Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) and Song Ke (宋克), pursuant to which Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合伙)) agreed to pledge all of its equity interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) to Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) to secure performance of (i) contractual obligations of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of Zhangshu Weiqu Investment Management Center (Limited Partnership) (樟樹市唯趣投資管理中心(有限合伙)) under the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Weiqu’s Equity Pledge Agreement and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Weiqu’s Equity Pledge Agreement;
- (q) an equity pledge agreement (股權質押協議) (the “**Shengqu’s Equity Pledge Agreement**”) dated October 11, 2021, entered into among Guiyang Shengqu Enterprise Management Partnership (Limited Partnership) (貴陽盛趣企業管理合伙企業(有限合伙)), Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司), Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) and Song Ke (宋克), pursuant to which Guiyang Shengqu Enterprise Management Partnership (Limited Partnership) (貴陽盛趣企業管理合伙企業(有限合伙)) agreed to pledge all of its equity interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) to Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) to secure performance of (i) contractual obligations of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of Guiyang Shengqu Enterprise Management Partnership (Limited Partnership) (貴陽盛趣企業管理合伙企業(有限合伙)) under the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Shengqu’s Equity Pledge Agreement and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Shengqu’s Equity Pledge Agreement;

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- (r) an equity pledge agreement (股權質押協議) (the “**Shouqu’s Equity Pledge Agreement**”) dated October 11, 2021, entered into among Linxia Shouqu Enterprise Management Partnership (Limited Partnership) (臨夏市首趣企業管理合伙企業(有限合伙)), Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司), Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) and Song Ke (宋克), pursuant to which Linxia Shouqu Enterprise Management Partnership (Limited Partnership) (臨夏市首趣企業管理合伙企業(有限合伙)) agreed to pledge all of its equity interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) to Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) to secure performance of (i) contractual obligations of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of Linxia Shouqu Enterprise Management Partnership (Limited Partnership) (臨夏市首趣企業管理合伙企業(有限合伙)) under the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Shouqu’s Equity Pledge Agreement and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Shouqu’s Equity Pledge Agreement;
- (s) an equity pledge agreement (股權質押協議) (the “**Quyi’s Equity Pledge Agreement**”) dated October 11, 2021, entered into among Guangzhou Quyi Enterprise Management Partnership (Limited Partnership) (廣州趣意企業管理合伙企業(有限合伙)), Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司), Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) and Song Guowen (宋國文), pursuant to which Guangzhou Quyi Enterprise Management Partnership (Limited Partnership) (廣州趣意企業管理合伙企業(有限合伙)) agreed to pledge all of its equity interest in Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) to Zhuhai Huanquhui Network Technology Co., Ltd. (珠海歡趣匯網絡科技有限公司) to secure performance of (i) contractual obligations of Guangzhou Quwan Network Technology Co., Ltd. (廣州趣丸網絡科技有限公司) under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement and the Shareholder Voting Rights Proxy Agreement, (ii) the contractual obligations of Guangzhou Quyi Enterprise Management Partnership (Limited Partnership) (廣州趣意企業管理合伙企業(有限合伙)) under the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Quyi’s Equity Pledge Agreement and (iii) payment obligations arising out of or in relation to the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholder Voting Rights Proxy Agreement and the Quyi’s Equity Pledge Agreement;

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- (t) the amendment to Quwan Holding Limited third amended and restated shareholders agreement dated October 15, 2021 entered into among Quwan Holding Limited, Quwan (HK) Limited, Zhuhai Huanquhui Network Technology Co., Ltd., Guangzhou Quwan Network Technology Co., Ltd., Funplus (BVI) Limited, Song Ke (宋克), Peerless Hero Limited, Chen Guangyao (陳光堯), Fiery Dragon Limited, QIU Zhizhao, Hainan Yuyue Network Technology Co., Ltd. (海南娛躍網絡科技有限公司), Guangzhou Huancheng Culture Media Co., Ltd. (廣州歡城文化傳媒有限公司), Guangzhou Shabake Network Technology Co., Ltd. (廣州沙巴克網絡科技有限公司), Guangzhou Fuben Internet Technology Co., Ltd. (廣州副本網絡科技有限公司), Guangzhou Qujing Culture Media Co., Ltd. (廣州趣競文化傳媒有限公司), Xiamen Saimailei Technology Co., Ltd. (廈門塞邁雷科技有限公司), Zhuhai Huitou Management Consulting Co., Ltd. (珠海慧投管理諮詢有限公司), Beijing Quyue Internet Technology Co., Ltd. (北京趣躍網絡科技有限公司), Shanghai Xiaojianbing Information Technology Co., Ltd. (上海小煎餅信息科技有限公司), Shanghai Chenlong Information Technology Co., Ltd. (上海辰龍信息科技有限公司), Guangzhou Jingwan Culture Media Co., Ltd. (廣州競玩文化傳媒有限公司), Yun Qu Limited, Galaxy Nebula Limited, Iridescent Rainbow Limited, Matrix Partners China V Hong Kong Limited, Vanker (BVI) Limited, Dream League Limited, Matrix Partners China VI Hong Kong Limited, Skycus China Fund, L.P., Duckling Fund, L.P., Beautiful Success Holdings Limited, Image Frame Investment (HK) Limited and 3W Global Fund, pursuant to which, amendment to the shareholders’ agreement were agreed among the parties;
- (u) the amendment to Quwan Holding Limited third amended and restated shareholders agreement dated June 14, 2023 entered into among Quwan Holding Limited, Quwan (HK) Limited, Zhuhai Huanquhui Network Technology Co., Ltd., Guangzhou Quwan Network Technology Co., Ltd., Funplus (BVI) Limited, Song Ke (宋克), Peerless Hero Limited, Chen Guangyao (陳光堯), Fiery Dragon Limited, QIU Zhizhao, Hainan Yuyue Network Technology Co., Ltd. (海南娛躍網絡科技有限公司), Guangzhou Huancheng Culture Media Co., Ltd. (廣州歡城文化傳媒有限公司), Guangzhou Shabake Network Technology Co., Ltd. (廣州沙巴克網絡科技有限公司), Guangzhou Qujing Culture Media Co., Ltd. (廣州趣競文化傳媒有限公司), Xiamen Saimailei Technology Co., Ltd. (廈門塞邁雷科技有限公司), Zhuhai Huitou Management Consulting Co., Ltd. (珠海慧投管理諮詢有限公司), Beijing Quyue Internet Technology Co., Ltd. (北京趣躍網絡科技有限公司), Shanghai Xiaojianbing Information Technology Co., Ltd. (上海小煎餅信息科技有限公司), Shanghai Chenlong Information Technology Co., Ltd. (上海辰龍信息科技有限公司), Guangzhou Jingwan Culture Media Co., Ltd. (廣州競玩文化傳媒有限公司), Yun Qu Limited, Galaxy Nebula Limited, Iridescent Rainbow Limited, Matrix Partners China V, L.P., Vanker (BVI) Limited, Dream League Limited, Matrix Partners China V-A, L.P., Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P., Skycus China Fund, L.P., Duckling Fund, L.P., Vision Pro Capital Limited, Wisdom Pro Capital Limited, Image Frame Investment (HK) Limited and 3W Global Fund, pursuant to which, amendment to the shareholders’ agreement were agreed among the parties;

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- (v) the amendment to Quwan Holding Limited third amended and restated shareholders agreement dated June 14, 2023 entered into among Quwan Holding Limited, Quwan (HK) Limited, Zhuhai Huanquhui Network Technology Co., Ltd., Guangzhou Quwan Network Technology Co., Ltd., Funplus (BVI) Limited, Song Ke (宋克), Peerless Hero Limited, Chen Guangyao (陳光堯), Fiery Dragon Limited, Qiu Zhizhao (邱志招), Hainan Yuyue Network Technology Co., Ltd. (海南娛躍網絡科技有限公司), Guangzhou Huancheng Culture Media Co., Ltd. (廣州歡城文化傳媒有限公司), Guangzhou Shabake Network Technology Co., Ltd. (廣州沙巴克網絡科技有限公司), Guangzhou Qujing Culture Media Co., Ltd. (廣州趣競文化傳媒有限公司), Xiamen Saimailei Technology Co., Ltd. (廈門塞邁雷科技有限公司), Zhuhai Huitou Management Consulting Co., Ltd. (珠海慧投管理諮詢有限公司), Beijing Quyue Internet Technology Co., Ltd. (北京趣躍網絡科技有限公司), Shanghai Xiaojianbing Information Technology Co., Ltd. (上海小煎餅信息科技有限公司), Shanghai Chenlong Information Technology Co., Ltd. (上海辰龍信息科技有限公司), Guangzhou Jingwan Culture Media Co., Ltd. (廣州競玩文化傳媒有限公司), Yun Qu Limited, Galaxy Nebula Limited, Iridescent Rainbow Limited, Matrix Partners China V, L.P., Vanker (BVI) Limited, Dream League Limited, Matrix Partners China V-A, L.P., Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P., Skycus China Fund, L.P., Duckling Fund, L.P., Vision Pro Capital Limited, Wisdom Pro Capital Limited, Image Frame Investment (HK) Limited and 3W Global Fund, pursuant to which, amendment to the shareholders’ agreement were agreed among the parties;
- (w) the amendment to Quwan Holding Limited third amended and restated shareholders agreement dated December 8, 2023 entered into among Quwan Holding Limited, Quwan (HK) Limited, Guangzhou Yongjie Network Technology Co., Ltd., Guangzhou Quwan Network Technology Co., Ltd., Funplus (BVI) Limited, Song Ke (宋克), Peerless Hero Limited, Chen Guangyao (陳光堯), Fiery Dragon Limited, Qiu Zhizhao (邱志招), Hainan Yuyue Network Technology Co., Ltd. (海南娛躍網絡科技有限公司), Guangzhou Huancheng Culture Media Co., Ltd. (廣州歡城文化傳媒有限公司), Guangzhou Shabake Network Technology Co., Ltd. (廣州沙巴克網絡科技有限公司), Guangzhou Qujing Culture Media Co., Ltd. (廣州趣競文化傳媒有限公司), Xiamen Saimailei Technology Co., Ltd. (廈門塞邁雷科技有限公司), Zhuhai Huitou Management Consulting Co., Ltd. (珠海慧投管理諮詢有限公司), Beijing Quyue Internet Technology Co., Ltd. (北京趣躍網絡科技有限公司), Shanghai Xiaojianbing Information Technology Co., Ltd. (上海小煎餅信息科技有限公司), Shanghai Chenlong Information Technology Co., Ltd. (上海辰龍信息科技有限公司), Guangzhou Jingwan Culture Media Co., Ltd. (廣州競玩文化傳媒有限公司), Yun Qu Limited, Galaxy Nebula Limited, Iridescent Rainbow Limited, Matrix Partners China V, L.P., Vanker (BVI) Limited, Dream League Limited, Matrix Partners China V-A, L.P., Matrix Partners China VI, L.P., Matrix Partners China VI-A, L.P., Skycus China Fund, L.P., Duckling Fund, L.P., Vision Pro Capital Limited, Wisdom Pro Capital Limited, Image Frame Investment (HK) Limited and 3W Global Fund, pursuant to which, amendment to the shareholders’ agreement were agreed among the parties;

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- (x) Business Combination Agreement;
- (y) PIPE Investment Agreements;
- (z) Share Transfer Agreements;
- (aa) Vision Deal Listed Warrant Instrument;
- (bb) Vision Deal Promoter Warrant Agreement;
- (cc) Successor Company Listed Warrant Instrument;
- (dd) Successor Company Promoter Warrant Agreement;
- (ee) Escrow Agreement; and
- (ff) the Vision Deal Underwriting Agreement.

2. Intellectual Property Rights of the Target Group

(a) Trademarks

As of the Latest Practicable Date, the Target Group had registered the following trademarks which the Target Group considers to be material to the Target Group’s business:

No.	Trademark	Place of registration
1.		PRC
2.		PRC
3.		Hong Kong
4.		PRC
5.		PRC

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As of the Latest Practicable Date, the Target Group had made the following trademark application which the Target Group considers to be material to the Target Group's business:

No.	Trademark	Applicant	Place of application	Class	Application Date (dd/mm/yyyy)
1.		Quwan HK	Hong Kong	9, 16, 35, 38, 45	10/03/2023

(b) Domain Names

As of the Latest Practicable Date, the Target Group had registered the following domain names which the Target Group considers to be material to the Target Group's business:

No.	Domain name	Registered owner	Expiry date (dd/mm/yyyy)
1.	quwangroup.com	Guangzhou Quwan	03/08/2028

(c) Patents

As of the Latest Practicable Date, the Target Group had registered the following patent which the Target Group considers to be material to the Target Group's business:

No.	Title	Place of registration	Registered owner
1.	Virtual room information exchange method, apparatus, equipment and system	PRC	Guangzhou Quwan
2.	A method and system for live content risk and information control	PRC	Guangzhou Quwan
3.	A voice room following method, device, apparatus and storage medium	PRC	Guangzhou Quwan
4.	A data interaction system, method, apparatus and storage medium	PRC	Guangzhou Quwan

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No.	Title	Place of registration	Registered owner
5.	Display screen panel of the room dressing system graphic user interface	PRC	Guangzhou Quwan
6.	A text recognition method and device for minors	PRC	Guangzhou Quwan
7.	Three-dimensional digital demographic generation method, apparatus, electronic device and storage medium	PRC	Guangzhou Quwan

(d) Software copyrights

As of the Latest Practicable Date, the Target Group had registered the following software copyrights which the Target Group considers to be material to the Target Group's business, all of which were applied for in the PRC:

No.	Title	Version	Registration Number	Applicant
1.	TT語音軟件(簡稱:TT語音)	V3.3.3	2018SR904349	Guangzhou Quwan

Save as disclosed above, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or individual property rights which are or may be material in relation to the Target Group's business.

D. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF THE SUCCESSOR COMPANY

1. Disclosure of Interests

(a) Disclosure of Interests of Directors

Immediately following completion of the Closing and assuming the Presumptions, the interests and/or short positions (as applicable) of the Directors or chief executives of the Successor Company in the Successor Company Shares, underlying Successor Company Shares and debentures of the Successor Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Successor Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required to be

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notified to the Successor Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) once the Successor Company Shares are listed, will be as follows:

Interest in Shares of the Successor Company

Name	Title	Capacity/Nature of Interest	Number of Successor Company Shares interested upon completion of the De-SPAC Transaction ⁽¹⁾	Approximate percentage of shareholding in the total issued Successor Company Shares upon completion of the De-SPAC Transaction ⁽²⁾ (%)
Mr. Song	Executive Director	Founder of a trust; Interest in controlled corporation	396,940,897 ⁽³⁾	40.59
		Interest of a party to an agreement regarding interest in the Successor Company	127,402,643 ⁽³⁾	13.03
Mr. Chen Guangyao	Executive Director	Interest in controlled corporation	56,543,487 ⁽⁴⁾	5.78
Mr. Lyu Shaoyu	Executive Director	Beneficial interest	4,107,498 ⁽⁵⁾	0.42
Mr. Wei Zhe	Non-executive Director	Interest in controlled corporation	19,136,250 ⁽⁶⁾	1.96

Notes:

- (1) This refers to the number of Successor Company Shares held assuming that all of the Target Company Preferred Shares have been converted into the Successor Company Shares on a one-to-one basis.
- (2) The approximate percentage of shareholding in the total issued Successor Company Shares is calculated based on the total number of 977,845,000 Successor Company Shares on an as-converted basis outstanding immediately after the Closing assuming the Presumptions.
- (3) Among these Successor Company Shares, 199,011,247 Successor Company Shares are held by Funplus and 100,145,150 Successor Company Shares are held by Vanker. Both of Funplus and Vanker are wholly owned by Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust, of which Mr. Song is the founder and settlor and the beneficiaries of which are Mr. Song and Exploring Time Limited (wholly owned by Mr. Song). Each of Mr. Song, Cantrust (Far East) Limited and Future Exploration are deemed to be interested in the 199,011,247 Successor Company held by Funplus and 100,145,150 Successor Company Shares held by Vanker.

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On September 23, 2021, Mr. Song entered into three voting proxy agreements with: (i) Mr. Chen Guangyao and Peerless Hero as to the voting rights of 10,006,722 ordinary shares in the Target Company held by Peerless Hero, (ii) Mr. Du Guo and Yun Qu as to the voting rights of 7,549,852 ordinary shares in the Target Company held by Yun Qu, and (iii) Mr. Qiu Zhizhao and Fiery Dragon as to the voting rights of 4,990,370 ordinary shares in the Target Company held by Fiery Dragon, respectively. Pursuant to the Voting Proxy Agreements, Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the above 22,546,944 Target Company Shares held by Peerless Hero, Yun Qu and Fiery Dragon. Please see the section headed “Relationship with the Controlling Shareholders of the Successor Group” for more details.

Unlisted earn-out warrant is issued to Quwan EOR Limited before the Listing, pursuant to which Quwan EOR Limited will be allotted and issued up to 10% of the Successor Company Shares as at the date of Listing upon exercise of the warrant at the exercise price of US\$0.0001 per Successor Company Share when certain conditions connected with the adjusted net profit and the share price of the Successor Company after the Listing are satisfied. Quwan EOR Limited is wholly owned by Kastle Limited as the trustee of a trust set up by Mr. Song, and the beneficial interest of the trust is held as to 50%, 20%, 15% and 15% by Mr. Song, Mr. Chen Guangyao, Mr. Lyu Shaoyu and Mr. Xie Rui, respectively. Therefore, Mr. Song is deemed to be interested in the Successor Company Shares interested by Quwan EOR Limited. For details, please refer to “Letter from the Vision Deal Board”.

- (4) These Successor Company Shares are held by Peerless Hero, which is wholly owned by Mr. Chen Guangyao. Therefore, Mr. Chen Guangyao is deemed to be interested in these Successor Company Shares for the purposes of the SFO. Mr. Song is entitled to exercise the voting right attached to the 10,006,722 Target Company Shares (as adjusted to 56,543,487 Successor Company Shares upon Capitalization Issue) pursuant to the Voting Proxy Agreement. See the section headed “Relationship with the Controlling Shareholders of the Successor Group” for details.
- (5) Mr. Lyu is entitled to receive up to 4,107,498 Successor Company Shares, pursuant to the share options granted to him under the 2020 Global Employee Incentive Plan. See the paragraph headed “E. Employee Incentive Plans” in this section for details.
- (6) VKC Management is investing holding company wholly owned by Mr. Wei. As such, Mr. Wei is deemed to be interested in the maximum number of 11,261,250 Successor Company Shares and 7,875,000 Successor Company Shares upon exercise of the Successor Company Promoter Warrants held by VKC Management.

Interests in associated corporations

Name	Member of the Successor Group	Amount of Registered Capital	Approximate percentage of interest in associated corporation
Mr. Song ⁽¹⁾	Guangzhou Quwan	RMB9,345,736.35	87.72%
Mr. Chen Guangyao	Guangzhou Quwan	RMB352,500	3.31%

Note:

- (1) As at the Latest Practicable Date, the shares of Guangzhou Quwan were held by Mr. Song as to 35.40%, Zhangshu Weiqu as to 4.01%, Xiamen Quji as to 15.62%, Shanghai Qushen as to 22.87%, Wenzhou Huanqu as to 9.82%, respectively. Mr. Song, as the general partner of Zhangshu Weiqu, Xiamen Quji, Shanghai Qushen and Wenzhou Huanqu, is deemed to be interested in the total number of Shares held by each of the aforementioned entities.

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(b) Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the De-SPAC Transaction, have interests or short positions in the Successor Company Shares or underlying Successor Company Shares which would be required to be disclosed to the Successor Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed “Substantial Shareholders following the De-SPAC Transaction”.

Interests of substantial shareholders in any member of the Successor Group (except the Successor Company)

Members of the Successor Group	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
REPUBLIC OF GAMERS NETWORK TECHNOLOGY LTD	AJB Investment Ltd.	30%
Guangzhou Chuangyou Technology Co. Ltd.	Xiong Hui	10%
Guangzhou Chuangyou Technology Co. Ltd.	Wang Lin	10%
Guangzhou Chuangyou Technology Co. Ltd.	Chen Yingcong	10%
Guangzhou Xinyan	Han Rubing	26.20%
Guangzhou Xinyan	Lin Yongsong	13.80%

Save as disclosed above, as of the Latest Practicable Date, the Successor Company’s Directors are not aware of any persons (not being Directors or chief executive of the Successor Company) who would, immediately following the completion of the De-SPAC Transaction (assuming the Presumptions) be directly or indirectly interested in 10% or more of the issued voting shares of any member of the Successor Group (except the Successor Company).

2. Particulars of Service Contracts

(a) Executive Directors

Each of the executive Directors of the Successor Company [has] entered into a service contract with the Successor Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing, which may be terminated by not less than three months’ notice in writing served by either the executive Director or the Successor Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Successor Company Articles.

(b) Non-executive Director and Independent Non-executive Directors

Each of the non-executive Director and the independent non-executive Directors of the Successor Company has entered into and signed an appointment letter with the Successor Company for a term of three years with effect from the Listing, which may be terminated by not less than one month's notice in writing served by either the non-executive Director, the independent non-executive Director or the Successor Company. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Successor Company Articles.

(c) Directors' Remuneration

The aggregate amount of remuneration paid to the Directors of the Target Company in respect of the financial years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 was approximately RMB99.9 million, RMB153.5 million, RMB50.5 million and RMB2.3 million, respectively. Under the arrangements in force as of the date of this circular, it is estimated that the Directors of the Target Company will be entitled to receive remuneration and benefits in kind of their service which, for the year ended December 31, 2023, are expected to be approximately RMB4.93 million.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the five highest paid individuals of the Target Group included three, three, two and nil Director(s) of the Target Company, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid, share-based compensation, and benefits in kind granted to the relevant Directors set out above. Among such five highest paid individuals of the Target Group excluding the Directors of the Target Group, for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid, share-based compensation, and benefits in kind granted to the remaining two, two and three individuals were approximately RMB2.1 million, RMB28.5 million, RMB21.5 million and RMB42.2 million, respectively. For further details on the remuneration of the five highest paid individuals of the Target Group during the Track Record Period, see Note 9 of the Accountant's Report in Appendix I of this circular.

None of the Directors of the Successor Company or any past directors of any member of the Successor Group has been paid any sum of money for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 as (a) an inducement to join or upon joining the Successor Company; or (b) for loss of office as a director of any member of the Successor Group or of any other office in connection with the management of the affairs of any member of the Successor Group.

There were no arrangements under which any Director of the Target Company has waived or agree to waive any emolument during the Track Record Period.

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Save as disclosed above, none of the Directors of the Successor Company has entered into any service contract with any member of the Successor Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Fees or commissions received

Save as disclosed in this section, none of the Directors of the Successor Company or any of the persons whose names are listed under the section headed "– F. Other Information – 9. Consent of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of the Successor Group within the two years immediately preceding the date of this circular.

4. Miscellaneous

- (a) Save as disclosed in this section, none of the Directors or chief executive of the Successor Company has any interest or short positions in the Successor Company Shares, underlying Successor Company Shares or debentures of the Successor Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he 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 in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once the Successor Company Shares are listed on the Stock Exchange;
- (b) None of the Directors of the Successor Company nor any of the parties listed in the section headed "– F. Other Information – 9. Consent of Experts" below has any direct or indirect interest in the promotion of the Successor Company, or in any assets which have within the two years immediately preceding the date of this circular been acquired or disposed of by or leased to any member of the Successor Group, or are proposed to be acquired or disposed of by or leased to any member of the Successor Group;
- (c) None of the Directors of the Successor Company nor any of the parties listed in the section headed "– F. Other Information – 9. Consent of Experts" below is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Successor Group taken as a whole;
- (d) None of the parties listed in the section headed "– F. Other Information – 9. Consent of Experts" below:
 - (i) is interested legally or beneficially in any of the Successor Company Shares or any shares of any of the Successor Company's subsidiaries; or

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- (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Successor Group.
- (e) Save as disclosed in the “Business of the Target Group” section, none of the Directors the Successor Company or their respective close associates (as defined under the Listing Rules) or any of the Successor Company Shareholders (who to the knowledge of the Successor Company Directors owns more than 5% of the number of issued shares) has any interest in our five largest suppliers.
- (f) None of the Successor Company Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, the Successor Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Successor Company Director, or otherwise for services rendered by him in connection with the promotion or formation of the Successor Company.

E. EMPLOYEE INCENTIVE PLANS

1. 2020 Global Employee Incentive Plan

In 2015, Guangzhou Quwan adopted the 2015 PRC Incentive Plan. In 2020, the Target Company adopted the 2020 Global Employee Incentive Plan to replace the 2015 PRC Incentive Plan. All of the outstanding awards granted under the 2015 PRC Incentive Plan have been replaced by the awards granted under, and governed by the terms and conditions of, the 2020 Global Employee Incentive Plan. The following is a summary of the principal terms of the 2020 Global Employee Incentive Plan of the Target Company as approved and adopted pursuant to the written resolutions of all shareholders of the Target Company in December 2020 and amended from time to time. The terms of the Employee Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve grant of any Awards after Listing.

(a) *Summary of terms*

Purpose

The purpose of the 2020 Global Employee Incentive Plan is to aid the Target Company and its subsidiaries in recruiting and retaining key employees, directors or consultant of outstanding ability and to motivate such employees, directors, or consultants to exert their best efforts on behalf of the Target Company and its subsidiaries by providing incentives through the granting of awards.

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Types of awards

Awards under 2020 Global Employee Incentive Plan shall include, without limitation, options, restricted share units, sales or bonuses of restricted shares, dividend equivalent rights or other award(s) (the “**Award(s)**”) granted pursuant to the 2020 Global Employee Incentive Plan. An Award may consist of one such security or benefit, or two (2) or more of them in any combination or alternative. No Awards under the 2020 Plan will be granted after Listing.

Maximum number of Ordinary Shares

Under the 2020 Plan, the ordinary shares which may be issued or transferred in tranches pursuant to Awards granted under the 2020 Plan shall in no event exceed 16,000,000 ordinary shares of the Target Company.

Plan Administration

The 2020 Plan shall be subject to the administration of the board of directors of the Target Company or one or more person(s) as appointed by the majority of the board of directors of the Target Company (the “**Administrator**”).

Eligibility

The Administrator is authorized to issue and/or grant Awards to any employee, director or consultant of the Target Company as selected by the Administrator to participate in the 2020 Plan (“**Participant**”).

Grant of Awards

The Administrator may, from time to time, select a participant to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the 2020 Plan. Each Award shall be evidenced by an award agreement between the Target Company and the Participant. The award agreement shall include such additional provisions as may be specified by the Administrator.

No Awards will be granted under the 2020 Plan after Listing.

Vesting of Awards

The period during which the right to exercise/purchase, in whole or in part, an Award vests in the Participant shall be set by the Administrator and the Administrator may determine that an Award may not be exercised/settled in whole or in part for a specified period after it is granted. Such vesting requirements may include, but not limited to, criteria based on the Participant’s duration of

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employment, the result of Participant's performance assessment or any other criteria selected by the Administrator. At any time after grant of an Award, the Administrator may by its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Award vests.

Transfer restrictions

Unless expressly permitted by the Administrator or set forth in an award agreement or otherwise in writing, an Award shall not be transferable or assignable by the applicable Participant, provided however, no such permitted transfer to heirs or legatees of the Participant shall be effective to bind the Target Company unless the Administrator shall have been furnished with written notice thereof and a copy of such evidence as the Administrator may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

Amendment or Termination

The Administrator may amend, alter or discontinue the 2020 Plan, but no amendment, alteration or discontinuation shall be made, (a) without the approval of the shareholders of the Target Company, if such action would increase the total number of Shares reserved for the purposes of the 2020 Plan or change the maximum number of the Target Company Shares for which Awards may be granted to any Participant, in each case only to the extent such approval is required by the principal national stock or securities exchange on which the Target Company Shares are listed or admitted to trading, or (b) without the consent of a Participant, if such action would diminish any of the rights of the Participant under any Award granted to such Participant under the 2020 Plan; provided, however, that the Administrator may amend the 2020 Plan in such manner as it deems necessary to permit the granting of Awards meeting the requirements of any applicable laws.

(b) *Outstanding Awards*

As of the Latest Practicable Date, no RSU, restricted shares or other Awards has been granted under the 2020 Plan except for the grant of options as detailed below.

As of the Latest Practicable Date, the Target Company granted options to 217 grantees to subscribe for an aggregate of 12,800,116 Target Company Shares (adjusted to 72,327,700 Successor Company Shares upon completion of Capitalization Issue) under the 2020 Plan, representing approximately 7.40% of the Target Company's issued share capital immediately after completion of the De-SPAC Transaction (assuming the Presumptions) for which the grantees include two Directors and two senior management members of the Successor Company (one of them is also a Director of the Successor Company) (with respect to 2,842,313 underlying Target Company Shares (as adjusted to 16,060,633 Successor Company Shares upon completion of Capitalization Issue)). No

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option was granted to other Directors, senior management or connected persons. As of the Latest Practicable Date, 1,050,000 Target Company Shares have been issued to Funplus upon exercise of the granted options by Mr. Song and options granted to 216 grantees to subscribe 11,750,116 Target Company Shares (as adjusted to 66,394,622 Successor Company Shares upon completion of Capitalization Issue) remain outstanding.

The Successor Company has applied for, and [have been granted] (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of an paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from the SFC 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 in connection with the information of the Options granted under the 2020 Plan. For further details, please refer to the section headed “Waivers and Exemptions – Waiver and Exemption in relation to the 2020 Global Employee Incentive Plan”.

Below is a list of Director, senior management and other employees of the Target Group who are grantees of the outstanding options under the 2020 Plan, and the number of underlying Shares of their respective outstanding options.

Name of Grantee	Position held at the Target Company	Address	Exercise Price ^(Note 1) (US\$ per Share)	Number of outstanding Successor Company underlying options granted ^(Note 1)	Date of Grant	Vesting Period
Director and Senior Management						
Mr. Lyu Shaoyu	Executive Director and Chief Financial Officer	Room 704, Block A, No. 45 Tianhe Road, Yuexiu District, Guangzhou, China	0.000018	4,107,498	April 1, 2023	100% vested on the date of grant
Senior Management						
Mr. Xie Rui	Vice President, Chief Technology Officer	Room 806, 85 Shuirou Road, Haizhu District, Guangzhou, China	0.000018	1,130,110	July 1, 2016	(Note 2)
			0.000018	4,889,947	January 1, 2021	(Note 2)
Subtotal				10,127,555		
214 other employees (Note 4)			0.000018	56,267,067	July 1, 2015 - October 1, 2023	(Note 3)
Total				66,394,622		

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Notes:

1. The exercise price and the number of Successor Company Shares underlying the options granted shown above is the adjusted amount/ number upon completion of the Capitalization Issue.
2. This batch of outstanding share options shall be vested in accordance with the following arrangement: 25% of options granted should be vested on the first anniversary of the date of grant; 25% of options granted should be vested on the second anniversary of the date of grant; 25% of options granted should be vested on the third anniversary of the date of grant; 25% of options granted should be vested on the fourth anniversary of the date of grant
3. This batch of outstanding share options shall be vested in accordance with the following arrangements
 - (1) for 50,247,000 Successor Company Shares underlying the options granted, 25% of options granted should be vested on the first anniversary of the date of grant; 25% of options granted should be vested on the second anniversary of the date of grant; 25% of options granted should be vested on the third anniversary of the date of grant; 25% of options granted should be vested on the fourth anniversary of the date of grant; and
 - (2) for 6,020,057 Successor Company Shares underlying the options granted, the options vested on June 24, 2021.
4. This includes vested share options of five former employees which were granted when they were employees of the Target Group and had not been exercised as at the Latest Practicable Date.
5. Among the 66,394,622 Successor Company Shares underlying the outstanding options granted pursuant to the grant agreements entered into on the date of grant as shown in the table above, the options for subscribing up to 53,330,239 Successor Company Shares are expected to be exercisable by the grantees within six months from the Listing. The Successor Company may issue up to 53,330,239 Successor Company Shares for the purpose of satisfying the exercise of such options within six months from the Listing pursuant to Rule 10.08(4) of the Listing Rules.

(c) Dilution Effect and Impact on Earnings per share

The maximum number of the Target Company Shares which may be issued under the 2020 Plan is 16,000,000 Shares. As of the Latest Practicable Date, 1,050,000 Target Company Shares (adjusted to 5,933,078 Successor Company Shares upon completion of Capitalization Issue) have been issued to Funplus upon exercise of the granted options by Mr. Song and options granted to 216 grantees to subscribe 11,750,116 Target Company Shares (as adjusted to 66,394,622 Successor Company Shares upon completion of Capitalization Issue) remain outstanding. As such, taking into account the Successor Company Shares to be allotted and issued under the 2020 Plan, the shareholding of the Successor Company Shareholders immediately following completion of the De-SPAC Transaction (assuming the Presumptions) will be diluted by approximately 6.36%. Consequently, the earnings per share for the year ended December 31, 2022 were diluted from RMB3.78 to RMB3.63, and the earnings per share for the six months ended June 30, 2023 were diluted from RMB1.92 to RMB1.80. The consequent impact on the loss per ordinary share for the years ended December 31, 2020 and 2021 is nil and nil, respectively, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

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2. Post-Listing Share Incentive Plan

The following is a summary of the principal terms of the Post-Listing Share Incentive Plan conditionally adopted by the Target Company Shareholders on [●] with effect from Listing. The terms of the Post-Listing Share Incentive Plan will be governed by Chapter 17 of the Listing Rules.

Eligible Persons to the Post-Listing Share Incentive Plan

Any individual, being an employee or director (including executive Directors, non-executive Directors and independent non-executive Directors) of any member of the Successor Group (an “**Eligible Person**” and, collectively “**Eligible Persons**”) whom the Successor Board (or a committee of the Successor Board) considers, in its sole discretion, to have contributed or will contribute to the Successor Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-Listing Share Incentive Plan is not permitted under the laws and regulations of such place or a place where, in the view of the Successor Board (or a committee of the Successor Board), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-Listing Share Incentive Plan.

Purposes of the Post-Listing Share Incentive Plan

The purposes of the Post-Listing Share Incentive Plan is to align the interests of Eligible Persons with those of the Successor Group through ownership of the Successor Company Shares, dividends and other distributions paid on the Successor Company Shares and/or the increase in value of the Successor Company Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Successor Group.

As further set out in this section, the grant of the Awards under the Post-Listing Share Incentive Plan are made to the Eligible Persons. With such scope of Eligible Persons, together with (a) the minimum vesting period of not less than 12 months from the date of grant except as otherwise provided, (b) the performance targets to be attained by the individual grantees which directly affects the Successor Group’s business and financial performance and (c) clawback mechanism (as further elaborated below) which aims to avoid offering incentive to Eligible Persons with Awards granted despite his/her misconduct or failure to meet the performance standard after the grant, the Successor Board believes that these provisions will align with the purpose of the Post-Listing Share Incentive Plan, such that the relevant grantees will share common interests and objectives with the Successor Group upon vesting of the Awards and have strong incentive to stay with the Successor Group which is beneficial to the sustainable development of the Successor Group. These provisions are meant to retain the competent Eligible Persons by encouraging and recognizing the continuous contribution of Eligible Persons which is crucial to the success and growth of business development of the Successor Group in the long run.

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Awards

Awards (“**Award(s)**”) means an option (“**Option**”) or an award granted by the Successor Board (or a committee of the Successor Board) to a selected participant pursuant to the Post-Listing Share Incentive Plan. An Award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Successor Board (or a committee of the Successor Board), it is not practicable for the selected participant to receive the Award in the Successor Company Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends or other distributions in respect of those Successor Company Shares from the date the Award vests (the “**Vesting Date**”). For the avoidance of doubt, the grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or sale proceeds of non-cash and non-scrip distributions from any Successor Company Shares underlying an unvested Award or an unexercised option.

Grant of Award

Making the Grant

The Successor Company shall, in respect of each Award, on the date of grant (“**Grant Date**”) issue a letter (“**Award Letter**”) to each selected participant in such form as the Successor Board (or a committee of the Successor Board) may from time to time determine, which may specify the number of Award Shares in respect of which the Award relates, any vesting criteria and conditions, the vesting date(s) for the Award, the date by which the grant must be accepted and such other details as the Successor Board (or a committee of the Successor Board) may consider necessary, and requiring the selected participant to undertake to be bound by the terms and provisions of the scheme rules.

Each grant of an Award to any Director, chief executive or substantial shareholder of the Successor Company or any of their respective associates shall be subject to the prior approval of the independent non-executive Directors of the Successor Company (excluding any independent non-executive Director who is a proposed recipient of the grant of Awards). Furthermore, where:

- (i) where any grant of Awards (but excluding grant of Options) to any director (other than an independent non-executive director) or chief executive of the Successor Company would result in the Successor Company Shares issued and to be issued in respect of all Awards granted (excluding Awards lapsed in accordance with the terms of the Post-Listing Share Incentive Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Successor Company Shares in issue; or

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- (ii) where any grant of Awards to an independent non-executive director or substantial shareholder of the Successor Company or any of their respective associates would result in the number of the Successor Company Shares issued and to be issued upon the exercise of all Awards granted (excluding Awards lapsed in accordance with the terms of the Post-Listing Share Incentive Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Successor Company Shares in issue,

such further grant of Awards must be approved by the Successor Company Shareholders in general meeting in the manner required and subject to the requirements set out in the Listing Rules.

The total number of the Successor Company Shares issued and to be issued upon the vesting or exercise of Awards granted and to be granted under the Post-Listing Share Incentive Plan and other awards schemes of the Successor Company to each selected participant (excluding Awards lapsed in accordance with the Post-Listing Share Incentive Plan) in any 12-month period up to (and including) the date of the latest grant shall not exceed 1% of the total number of the Successor Company Shares in issue (the "**Individual Limit**"). Any further grant of Awards to a selected participant which would exceed the Individual Limit shall be subject to separate approval of the Successor Company Shareholders in general meeting in accordance with the Listing Rules. In respect of any Options to be granted in such circumstances, the date of the meeting of the Successor Board (or a committee of the Successor Board) proposing any such further grant shall be taken as the grant date for the purpose of calculating the subscription price of such Options.

Restrictions on Grants and Timing of Grants

The Successor Board (or a committee of the Successor Board) may not grant any Award to or for the benefit of any selected participant in any of the following circumstances:

- (a) where the requisite approval from any applicable regulatory authorities has not been granted, provided that to the extent permissible under applicable laws, rules and regulations, an Award may be made conditional upon such approval being obtained;
- (b) where any member of the Successor Group will be required under applicable laws, rules or regulations to issue a prospectus or other offer documents in respect of such grant or the Post-Listing Share Incentive Plan;
- (c) where such grant would result in a breach by any member of the Successor Group or its directors of any applicable laws, rules or regulations in any jurisdiction;
- (d) (save where relevant waiver(s) from the Stock Exchange and/or the required approval of the Shareholders have been obtained) where such grant of Award would result in a breach of the Post-Listing Share Incentive Plan Limit (as defined below) or the Individual Limit, or the minimum public float requirement as required under

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the Listing Rules (or the minimum percentage of public float as prescribed by the Stock Exchange), or would otherwise cause the Successor Company to issue the Successor Company Shares in excess of the permitted amount in the mandate approved by the Successor Company Shareholders;

- (e) where an Award is to or for the benefit of a connected person and will require specific approval of the Successor Company Shareholders under the Listing Rules, until such Successor Company Shareholders' approval is obtained, provided that to the extent permissible under applicable laws, rules and regulations, an Award may be made conditional upon such Successor Company Shareholders' approval being obtained;
- (f) in circumstances prohibited by the Listing Rules or where dealings by the selected participant will be prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations; and
- (g) during the period commencing one month immediately before the earlier of:
 - (i) the date of the Successor Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Successor Company for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for the Successor Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, provided that such period will also cover any period of delay in the publication of any results announcement;

The Successor Board (or a committee of the Successor Board) may not grant any Award to any Director of the Successor Company in the following period:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and the half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

unless the circumstances are exceptional (for example, where a pressing financial commitment has to be met) and otherwise in accordance with the Listing Rules.

Maximum Number of Shares to be Granted

The maximum number of new Successor Company Shares which may be issued pursuant to the Awards granted and to be granted under the Post-Listing Share Incentive Plan, when aggregated with the number of new Successor Company Shares which may be issued pursuant to other awards schemes of the Successor Company, shall not exceed 5% of the Successor Company Shares in issue as at the date of the Listing (the “**Scheme Limit**”). For the avoidance of doubt, any Successor Company Shares which would have been issued pursuant to Awards which have lapsed in accordance with the terms of the scheme rules will not be regarded as utilized for the purpose of calculating the Scheme Limit.

The Successor Company may refresh the Scheme Limit:

- (i) from the later of three years after the adoption date of the Scheme or three years after the date of the previous refreshment of the Scheme Limit (as the case may be) by obtaining the Successor Company Shareholders’ approval; or
- (ii) within any of the aforementioned three-year period by obtaining the Successor Company Shareholders’ approval and subject to compliance with any additional requirements set out in the Listing Rules,

provided that the total number of new Successor Company Shares which may be issued upon exercise of all Awards to be granted under the Post-Listing Share Incentive Plan and other awards schemes of the Successor Company under the Scheme Limit as refreshed must not exceed 5% of the relevant class of the Successor Company Shares in issue as at the date of such Successor Company Shareholders’ approval, and subject further to compliance with other requirements prescribed under the Listing Rules from time to time.

The Successor Company may seek separate approval by its Shareholders in general meeting for granting Awards beyond the Scheme Limit, provided that the Awards in excess of the Scheme Limit are granted only to Eligible Participants specifically identified by the Successor Company before such approval is sought and subject to compliance with other relevant requirements prescribed under the Listing Rules. In respect of any Options to be granted in such circumstances, the date of the meeting of the Successor Board proposing such grant should be taken as the Grant Date for purpose of calculating the subscription price of such Options.

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Subscription Price

In respect of Awards to be granted in the form of Options, the Successor Board (or a committee of the Successor Board) shall determine and notify the selected participant in the Award Letter:

- (i) the subscription price in respect of such Options, provided that such subscription price must be at least the higher of (a) the closing price of the Successor Company Shares as stated in the Stock Exchange's daily quotations sheet on the Grant Date, which must be a Business Day; (b) the average closing price of the Successor Company Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Grant Date; and (c) the nominal value of a Successor Company Share, provided that in the event of fractional prices, the subscription price per Successor Company Share shall be rounded upwards to the nearest whole cent; and
- (ii) the option period for such Options, provided that the option period shall in any event be no longer than ten years from the Grant Date. An Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the expiry of the tenth anniversary from the Grant Date.

Rights attached to the Award

Awards do not carry any right to vote at general meetings of the Successor Company, nor any right to dividends, transfer or other rights. The selected participants do not have any rights to any cash or non-cash income, dividends or distributions and/or sale proceeds of non-cash and non-scrip distributions from any Successor Company Shares underlying an unvested Award or an unexercised Option.

Issue of Shares and/or transfer of funds to the Award Trustee

Where a trust has been established, subject to the Successor Company's discretion and the restrictions below, the Successor Company may (a) issue and allot Shares to a trustee (the "Trustee"); and/or (b) instruct the Trustee to acquire the Successor Company Shares through on-market transactions at prevailing market prices from funds provided by the Successor Company, in either case for purposes of satisfying the Awards upon their vesting or exercise.

The Successor Company shall not issue or allot the Successor Company Shares nor instruct the Trustee to acquire the Successor Company Shares through on-market transactions, where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance or other applicable laws, rules or regulations from time to time. Where such a prohibition causes the prescribed timing imposed by the Post-Listing Share Incentive Plan Rules or the trust deed to be missed, such prescribed timing shall be treated as extended until as soon as reasonably practicable after the first Business Day on which the prohibition no longer prevents the relevant action.

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Assignment of Awards

Any Awards granted under the Post-Listing Share Incentive Plan are personal to the selected participants to whom they are granted and cannot be assigned or transferred, except in circumstances where approval from the Successor Board has been obtained and the transfer is in compliance with the Listing Rules (or a waiver has been granted by the Stock Exchange for such transfer) and provided that any such transferee agrees to be bound by the Post-Listing Share Incentive Plan and the rules of the Post-Listing Share Incentive Plan as if the transferee were the selected participant.

Vesting of Awards

The Successor Board (or a committee of the Successor Board) may from time to time while the Post-Listing Share Incentive Plan is in force and subject to all applicable laws, rules and regulations, determine the applicable vesting date and any other criteria and conditions for vesting of the Awards in its sole and absolute discretion.

The vesting period in respect of any Award shall not be less than 12 months from the Grant Date, except that with respect to a selected participant who is an employee participant, a shorter vesting period may be permitted in circumstances set out below:

- (i) grants as "make whole" Awards to a new employee participant upon joining the Successor Group to replace the share awards such selected participant forfeited when leaving his/her previous employer;
- (ii) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (iii) grants of Awards which are subject to the fulfilment of performance-based vesting conditions as stated below, in lieu of time-based vesting criteria;
- (iv) grants of Awards the timing of which is set due to administrative and/or compliance reasons unrelated to the performance of the employee participant, in which case the vesting date may be adjusted to take account of the time from which the Award would have been granted if not for such administrative and/or compliance reasons;
- (v) grants of Awards with a mixed vesting schedule such that the Awards may vest evenly over a period of 12 months; or
- (vi) grants of Awards with a total vesting and holding period of more than 12 months.

The Successor Board (or a committee of the Successor Board) may, in respect of each Award and subject to applicable laws and regulations, determine any performance targets or other criteria as condition(s) to the vesting of Awards. Such targets may comprise a mixture of performance criteria from both the corporate and the individual perspectives (such as the financial performance or achievement of milestones by a member of the Successor Group

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and/or attainment of key performance indicators by the selected participant), having regard to the different roles and contributions of the selected participants and the purposes of the Post-Listing Share Incentive Plan. Robust review and evaluation procedures should be put in place for an impartial assessment of such targets, provided that a determination of the Successor Board (or a committee of the Successor Board) as to whether such targets have been achieved or satisfied shall be conclusive and binding on all parties.

If any of the vesting conditions (including any performance targets as mentioned above) for the Awards are not satisfied on the relevant vesting date, the relevant Awards shall lapse automatically and shall not be vested in the selected participant, unless the Successor Board (or a committee of the Successor Board) elects to postpone the vesting date of the relevant Awards for an appropriate period in its sole and absolute discretion. If the vesting conditions of the postponed Awards are not satisfied at the postponed vesting date, the relevant Awards shall automatically lapse. If the vesting date is not a business day, the vesting date shall, subject to any trading halt or suspension in the Successor Company Shares, be the business day immediately thereafter.

If, at the determination of the Successor Board (or a committee of the Successor Board), it may not be practicable for a selected participant to receive Award Shares due to any legal and/or regulatory restrictions, the Successor Board (or a committee of the Successor Board) may arrange to sell on-market at prevailing market prices, such number of Award Shares so vested in the selected participant and pay the actual selling price arising from such sale of Award Shares to the selected participant.

Reorganization of Capital Structure

Where there is any alteration in the capital structure of the Successor Company by way of a sub-division, consolidation or reduction of the share capital of the Successor Company, a capitalization of profits or reserves or a rights issue (other than an alteration in the Successor Company's capital structure as a result of an issue of the Successor Company Shares as consideration in a transaction to which the Successor Company is a party), the Successor Board (or a committee of the Successor Board) shall make such corresponding adjustments (if any) as it may deem appropriate to reflect such changes with respect to:

- (i) the number of the Successor Company Shares constituting the Scheme Limit, provided that in the event of any subdivision or consolidation of the Successor Company Shares, the Scheme Limit as a percentage of the total issued Successor Company Shares of the Successor Company at the date immediately before the consolidation or subdivision shall be the same on the date immediately after such consolidation or subdivision;
- (ii) the number of the Successor Company Shares underlying each Award (to the extent any Award has not yet been exercised); and/or
- (iii) the Subscription Price of any outstanding Options and/or the purchase price (if any) of the Award Shares subject to any outstanding Awards,

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or any combination thereof, as the Auditors or a financial advisor engaged by the Successor Company for such purpose have certified satisfy the relevant requirements of the Listing Rules and are, in their opinion, fair and reasonable generally or as regards any particular selected participant, provided that (i) any such adjustments should give each selected participant the same proportion of the equity capital of the Successor Company (rounded to the nearest whole Successor Company Share) as that to which that selected participant was previously entitled prior to such adjustments; and (ii) no such adjustments shall be made which would result in a Successor Company Share being issued or transferred at less than its nominal value (if any).

The capacity of the auditors or financial advisor (as the case may be) in the rules of the Post-Listing Share Incentive Plan is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Successor Company and the selected participants. All fractional shares (if any) arising out of any such alterations in respect of the Award Shares of a selected participant shall be deemed as returned Successor Company Shares and shall not be transferred to the relevant selected participant on the relevant vesting date.

Lapse or cancellation of Awards

Without prejudice to other circumstances where an Award shall lapse pursuant to the terms in an Award Letter as determined by the Successor Board (or a committee of the Successor Board) at its discretion, an Award shall lapse automatically (to the extent not already vested in the selected participant and, where relevant, exercised) on the earliest of:

- (a) the expiry of the applicable option period;
- (b) the expiry of any of the periods for exercising an Option referred to or other circumstances as set out in the rules of the Post-Listing Share Incentive Plan;
- (c) the date on which the selected participant commits a breach of any terms or conditions (if any) attached to the grant of the Award, unless otherwise resolved to the contrary by the Successor Board or its delegate(s);
- (d) the non-satisfaction of any vesting conditions for the Awards as determined by the Successor Board (or its delegates) pursuant to rules of the Post-Listing Share Incentive Plan;
- (e) the date on which there is an actual or purported breach of the provision of the Post-Listing Share Incentive Plan (with respect to the transferability of the Award Shares) by the selected participant as determined by the Successor Board or such other person(s) delegated this function by the Board; and
- (f) the date on which the Successor Board (or a committee of the Successor Board) makes a determination to claw back the Awards granted pursuant to rules of the Post-Listing Share Incentive Plan.

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Any Awards granted but not yet vested or exercised may be cancelled by the Successor Board (or a committee of the Successor Board) in the event of any serious misconduct of the selected participant or in other specific circumstances as the Successor Board (or a committee of the Successor Board) deems appropriate. The Awards so cancelled will be regarded as utilized for the purpose of calculating the relevant Scheme Limit. Issuance of new Awards to the same selected participant whose Awards have been cancelled may only be made with Awards available under the Scheme Limit and in compliance with the Listing Rules.

Clawback mechanism

Upon the occurrence of any of the following in relation to a selected participant, the Successor Board (or a committee of the Successor Board) may make a determination at its sole and absolute discretion that (1) any Awards issued to that selected participant but not yet exercised shall immediately lapse, regardless of whether such Awards have vested or not; and (2) with respect to any Successor Company Shares issued and/or transferred to that selected participant, the Selected Participant shall be required to transfer back to the Successor Company or its nominee(s): (A) the equivalent number of the Successor Company Shares, (B) an amount in cash equal to the market value of such Successor Company Shares, or (C) a combination of (A) and (B); and/or (3) with respect to any Award Shares held by the Trustee for the benefit of that selected participant, those Award Shares shall no longer be held on trust for nor inure to benefit of the selected participant:

- (a) the selected participant ceases to be an Eligible Person by reason of the termination of his/her/its employment or contractual engagement with any member of the Successor Group for any serious misconduct or without notice or with payment in lieu of notice;
- (b) the selected participant has contravened the relevant laws and regulations of the PRC and/or Hong Kong involving his/her/its integrity or honesty;
- (c) the selected participant has been involved in acceptance or solicitation of bribery, corruption, theft, leakage of any trade or technical secrets, or conducted any connected transactions or other unlawful acts or misconduct which, in the reasonable opinion of the Successor Board (or a committee of the Successor Board), prejudiced the interest of or caused significant negative impact to the Successor Company;
- (d) in the reasonable opinion of the Successor Board (or a committee of the Successor Board), the selected participant has failed to discharge, or failed to discharge properly, his/her/its duties and thereby resulting in serious and adverse consequences to the Successor Company; or

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- (e) in the reasonable opinion of the Successor Board (or a committee of the Successor Board), the selected participant has engaged in any serious misconduct or breach of the terms of the Post-Listing Share Incentive Plan or any terms or conditions attached to the grant of the Award in any material respect.

Alteration of the Post-Listing Share Incentive Plan

Subject to the Scheme Limit and the rules of the Post-Listing Share Incentive Plan, the Successor Board (or a committee of the Successor Board) may amend any of the provisions of the Post-Listing Share Incentive Plan or any Awards granted under the Post-Listing Share Incentive Plan at any time and in any respect, provided that the terms of the Post-Listing Share Incentive Plan or Awards so amended must still comply with the requirements of Chapter 17 of the Listing Rules (as applicable). Approval of the Successor Company Shareholders in general meeting is required for any amendment to the terms of the Post-Listing Share Incentive Plan which are of a material nature or to any provisions of the Post-Listing Share Incentive Plan which relate to the matters set out in Rule 17.03 of the Listing Rules to the extent that such amendment operates to the advantage of selected participants.

Any change to the terms of any Award the grant of which was subject to the approval of a particular authority (such as the Successor Board or any committee thereof, the independent non-executive Directors or the Shareholders in general meeting, as the case may be) shall be subject to approval by that same authority, provided that this requirement does not apply where the relevant alteration takes effect automatically under the terms of the Scheme. Without limiting the foregoing, any change in the terms of the Awards granted to any selected participant who is a Director, chief executive or substantial shareholder of the Successor Company, or any of their respective associates, must be approved by the Successor Company Shareholders in general meeting in the manner required by the Listing Rules if the initial grant of the Awards requires such approval (except where the changes take effect automatically under the terms of the Post-Listing Share Incentive Plan).

Termination

The Post-Listing Share Incentive Plan shall terminate on the earlier of:

- (i) the end of the period of ten years commencing on the date of the Listing, except otherwise as may be required in accordance with the provisions of the Post-Listing Share Incentive Plan; and
- (ii) such date of early termination as determined by the Successor Board,

following which no further Awards will be offered or granted under the Scheme, provided that notwithstanding such termination, the Post-Listing Share Incentive Plan and the rules of the Post-Listing Share Incentive Plan shall continue to be valid and effective to the extent

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necessary to give effect to the vesting and exercise of any Awards granted and remaining unvested, unexercised and unexpired prior to the termination of the Post-Listing Share Incentive Plan, and that such termination shall not affect the subsisting rights already granted to a selected participant.

Administration of the Post-Listing Share Incentive Plan

The Successor Board has the power to administer the Post-Listing Share Incentive Plan in accordance with the rules of the Post-Listing Share Incentive Plan and, where applicable, the trust deed, including the power to construe and interpret the rules of the Post-Listing Share Incentive Plan and the terms of the Awards granted under the Post-Listing Share Incentive Plan. The Successor Board may delegate the authority to administer the Post-Listing Share Incentive Plan to a committee of the Successor Board or other person(s) as deemed appropriate at the sole discretion of the Successor Board. The Successor Board (or a committee of the Successor Board) may also appoint one or more independent third-party contractors to assist in the administration of the Post-Listing Share Incentive Plan as they think fit.

Grant of Shares under the Post-Listing Share Incentive Plan

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Successor Company Shares underlying any Awards which may be granted pursuant to the Post-Listing Share Incentive Plan.

As of the Latest Practicable Date, no Successor Company Shares had been granted or agreed to be granted by the Successor Company pursuant to the Post-Listing Share Incentive Plan. The grant and vesting of any Successor Company Shares which may be granted pursuant to the Post-Listing Share Incentive Plan will be in compliance with Rule 10.08 of the Listing Rules.

F. OTHER INFORMATION

1. Estate duty

The Directors of the Successor Company have been advised that no material liability for estate duty is likely to fall upon any member of the Successor Group.

2. Litigation

(a) As to Vision Deal

As of the Latest Practicable Date, there was no litigation or arbitration of material importance and no litigation, arbitration or claim of material importance which was to the knowledge of the Vision Deal Directors pending or threatened against Vision Deal.

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(b) As to the Target Group

As of the Latest Practicable Date, the Target Company is not aware of any litigation or arbitration proceedings of material importance pending or threatened against the Target Company or any of the Target Company Directors that could have a material adverse effect on its financial condition or results of operations.

3. Application for Listing

The Sole Sponsor has made an application on behalf of the Successor Company to the Listing Committee for the listing of, and permission to deal in, the Successor Company Shares and Successor Company Listed Warrants in accordance with the requirements for new listing applicants as set out in Chapter 9 of the Listing Rules.

4. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of the Target Group since June 30, 2023 (being the date to which the latest audited combined financial statements of the Target Group were prepared).

5. The Sole Sponsor and Sole Sponsor’s fees

The Sole Sponsor is independent from the Target Company pursuant to Rule 3A.07 of the Listing Rules. The fees payable by the Target Company to the Sole Sponsor to act as sponsor to the Target Company in connection with the De-SPAC Transaction is US\$250,000.

The capital market intermediary will receive 3% of the gross proceeds from the PIPE investments as fixed fees (the “**Fixed Fees**”). The Target Company may, at its sole discretion, pay to the capital market intermediary an additional discretionary fee of up to 1.0% of the gross proceeds of the PIPE investments (the “**Discretionary Fees**”). Assuming the discretionary fee is paid in full, the ratio of Fixed Fees and Discretionary Fees payable to the capital market intermediary is therefore 67.5%:32.5%.

6. Preliminary expenses

The Target Company has not incurred any material preliminary expenses.

7. Promoter

The Target Company has no promoter. Within the two years immediately preceding the date of this circular, 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 De-SPAC Transaction and the related transactions described in this circular.

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8. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for 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) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Commerce & Finance Law Offices	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Legal adviser to the Target Company as to Cayman Islands law
Frost & Sullivan Limited	Industry consultant

9. Consent of Experts

Each of the experts mentioned in the subsection headed “– Qualification of Experts” above has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this circular in the form and context in which it is respectively included.

10. Binding Effect

This circular shall have the effect, if an application is made in pursuance of this circular, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

11. Bilingual Document

The English and Chinese language versions of this circular are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

- (a) Save as disclosed in this section, within the two years immediately preceding the date of this circular:
 - (i) no share or loan capital of the Successor Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of the Successor Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of the Successor Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Successor Company or any of its subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Successor Company or any of our subsidiaries.
- (b) Save as disclosed in the “History, Reorganization and Corporate Structure of the Target Group” section, the Target Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (c) The Directors of the Target Company confirm that:
 - (i) there has been no material adverse change in the financial or trading position or prospects of the Target Group since June 30, 2023 (being the date to which the latest audited combined financial statements of the Target Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of the Target Group which may have or has had a significant effect on the financial position of the Target Group in the 12 months preceding the date of this circular.
- (d) The principal register of members of the Successor Company will be maintained in the Cayman Islands by its Principal Share Registrar. Unless the Successor Company Directors otherwise agree, all transfer and other documents of title of the Successor Company Shares must be lodged for registration with and registered by the Hong Kong Share Registrar of the Successor Company.
- (e) All necessary arrangements have been made to enable the Successor Company Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within the Target Group is presently listed on any stock exchange or traded on any trading system.
- (g) save as otherwise disclosed in the circular, there are no contracts or arrangements subsisting at the date of this circular in which a Director of the Target Company is materially interested or which is significant in relation to the business of the Target Group.
- (h) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

APPENDIX VIII

**SUMMARY OF THE TERMS OF THE
SUCCESSOR COMPANY LISTED WARRANTS**

The Successor Company Listed Warrants will be issued subject to and with benefit of an instrument by way of deed poll (the "**Instrument**"). The Successor Company Listed Warrants will be issued in certificated form under the Instrument and be either (a) deposited in CCASS, or (b) held by the relevant Successor Company Warrant Holder outside of CCASS and the Successor Company Promoter Warrants will be issued in certificated form under the Successor Company Promoter Warrant Agreement.

The terms of the Successor Company Promoter Warrants are identical to those of the Successor Company Listed Warrants, including with respect to the warrant exercise and redemption provisions, except that the Successor Company Promoter Warrants (i) will not be listed, and (ii) are not exercisable until 12 months after the Closing as required by the Listing Rules. Further, the Promoters will remain as the beneficial owners of the Successor Company Promoter Warrants for the lifetime of the Successor Company Promoter Warrants unless (i) they are surrendered to the Successor Company in the circumstances contemplated by the Listing Rules, or (ii) a waiver is obtained from the Stock Exchange and approval is obtained from the Shareholders, with the Promoters and their close associates abstaining from voting.

The principal terms and conditions of the Successor Company Listed Warrants will be set out in the Instrument and will include provisions to the effect set out below. Successor Company Warrant Holders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions of the Instrument, which will be posted on the Stock Exchange's website.

1. STATUS, FORM AND TITLE

- (a) The Successor Company Listed Warrants shall at all times rank *pari passu* and without any preference or priority among themselves, and, save for such exceptions as may be provided by mandatory provisions of applicable legislation, shall at all times rank at least equally with all of the Successor Company's other options or warrants exercisable into Successor Company Shares that are in issue.
- (b) The Successor Company Listed Warrants are issued in certificated form. The holder of any Successor Company Listed Warrants shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the certificate issued in respect of it) and no person shall be liable for so treating the holder.

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2. TRANSFERS OF SUCCESSOR COMPANY LISTED WARRANTS; ISSUE OF CERTIFICATES

The Successor Company Listed Warrants or interests in such Successor Company Listed Warrants are transferable, in whole or in part, subject to the terms of the Conditions (as defined in the Instrument), provided that the Successor Company Listed Warrants or interests in such Successor Company Listed Warrants must not be sold, transferred, pledged or otherwise disposed of to any person who is not a Professional Investor.

Subject to the Conditions, any Successor Company Warrant Holder:

- (a) who holds Successor Company Listed Warrants registered in the name of HKSCC Nominees Limited, may transfer all or any of its Successor Company Listed Warrants electronically on CCASS with the clearance and settlement of such transfer completed on CCASS; or
- (b) who holds Successor Company Listed Warrants registered in its own name in the Register of Warrantheolders of the Successor Company (the "**Register**"), may transfer all or any of its Successor Company Listed Warrants by an instrument of transfer in any usual or common form consistent with the standard form of transfer as prescribed by the Stock Exchange or such other form as may be approved by the Successor Board. The instrument of transfer shall be executed by or on behalf of both the transferor and the transferee and may be under hand or, if the transferor or the transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

No transfer of a Successor Company Listed Warrant shall be valid unless and until entered on the Register. A Successor Company Listed Warrant may be registered only in the name of, and transferred only to, a named person.

The Hong Kong Share Registrar of the Successor Company shall be entitled to charge a service fee for any exchange or registration of transfer of Successor Company Listed Warrant prescribed by the Listing Rules payable by the Successor Company Warrant Holder or transferees.

The Successor Company Listed Warrant shall trade in minimum board lots of [55,000] Successor Company Listed Warrant.

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**SUMMARY OF THE TERMS OF THE
SUCCESSOR COMPANY LISTED WARRANTS**

3. EXERCISE RIGHT, EXERCISE PRICE AND EXERCISE PERIOD

3.1 Exercise Right

- (a) The Successor Company Listed Warrant are only exercisable on a cashless basis. Subject to the Conditions, each Successor Company Warrant Holder is entitled at its option to exercise of its Successor Company Listed Warrants, at the Exercise Price (subject to any Adjustments (as defined below)), at any time during the Exercise Period, for such number of Successor Company Shares credited as fully paid, as determined in accordance with the following formula (the “**Exercise Right**”):

$$N = W \times \frac{(FMV - EP)}{FMV}$$

Where:

- **N** = the number of Successor Company Shares a Successor Company Warrant Holder shall receive upon the exercise of its Successor Company Listed Warrants
 - **W** = the number of Successor Company Shares underlying the Successor Company Listed Warrants being exercised by the Successor Company Warrant Holder
 - **FMV** = the Fair Market Value, being the average reported closing price of Successor Company Shares (on a per Successor Company Share basis) for the ten trading days immediately prior to the Exercise Date, provided, however that if the Fair Market Value is HK\$23.00 or higher, the Fair Market Value shall be deemed to be HK\$23.00 (the “**FMV Cap**”)
 - **EP** = the Exercise Price in effect on the Exercise Date
- (b) In no event shall the Successor Company Listed Warrants be exercisable for more than 0.5 (the “**Maximum Conversion Ratio**”) of a Successor Company Share per Successor Company Listed Warrant (subject to any Adjustments (as defined below)). In no event shall the Successor Company be required to net cash settle any Successor Company Warrant. Each Successor Company Listed Warrant shall, following its exercise in accordance with the Conditions, be canceled by the Successor Company.

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**SUMMARY OF THE TERMS OF THE
SUCCESSOR COMPANY LISTED WARRANTS**

3.2 Exercise Period

- (a) All Successor Company Listed Warrants shall become exercisable in the period (the “**Exercise Period**”) commencing on and including the date which is 30 days after the date of Closing, and terminating at 5: 00 pm, Hong Kong time, on the Expiration Date (as defined below).
- (b) The Successor Company Listed Warrants will expire on the date (the “**Expiration Date**”) which is the earliest to occur of:
 - (i) 5: 00 pm, Hong Kong time, on the date that is five years after the date of Closing;
 - (ii) the liquidation of the Successor Company (the “**Liquidation**”) (including in connection with the occurrence of a liquidation event), in accordance with and pursuant to the Articles of Association of the Successor Company and applicable law and regulations (including the Listing Rules), each as amended from time to time; and
 - (iii) 5: 00 pm, Hong Kong time, on the Redemption Date (as defined below) in connection with a redemption in accordance with the Instrument.

provided if the Expiration Date is not a Business Day, the Business Day immediately prior to the Expiration Date.
- (c) Each Successor Company Listed Warrant not exercised on or before the Expiration Date shall lapse and cease to be valid for any purpose, and all rights in respect thereof under the Conditions shall cease at 5: 00 pm, Hong Kong time, on the Expiration Date.
- (d) Any Successor Company Listed Warrant in respect of which an Exercise Notice shall not have been duly completed and delivered in the manner set out in the Conditions to the Hong Kong Share Registrar of the Successor Company on or before 4: 30 pm, Hong Kong time, on the Expiration Date shall become void and expire without value.
- (e) Save as provided in the Instrument, the Successor Company Listed Warrants are not redeemable.

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SUMMARY OF THE TERMS OF THE SUCCESSOR COMPANY LISTED WARRANTS

3.3 Exercise Price

- (a) Subject to the paragraph (b) below, the holder for the time being of each Successor Company Listed Warrant shall have the right, by way of exercise of the Exercise Right attaching to such Successor Company Listed Warrant, at any time during the Exercise Period, to exercise such Successor Company Listed Warrants for Successor Company Shares at a price per share equal to HK\$11.50 (subject to any Adjustments (as defined below)) (the "**Exercise Price**").
- (b) A Successor Company Listed Warrant is only exercisable:
 - (i) when the average reported closing price of Successor Company Shares for the ten trading days immediately prior to the date on which the duly completed and signed Exercise Notice is received by the Hong Kong Share Registrar of the Successor Company is at least HK\$11.50 per Successor Company Share (subject to any Adjustments (as defined below)); and
 - (ii) on a cashless basis.

3.4 No fractional Successor Company Shares

- (a) Notwithstanding any provision contained in the Conditions to the contrary, only whole Successor Company Listed Warrants are exercisable.
- (b) Notwithstanding any provision contained in the Conditions to the contrary, and save as provided in this Condition, the Successor Company shall not issue fractional Successor Company Shares upon the exercise of Successor Company Listed Warrants. If pursuant to the Conditions, the holder of any Successor Company Listed Warrant would be entitled, upon the exercise of such Successor Company Listed Warrant, to receive a fractional interest in a Successor Company Share, the Successor Company shall, upon such exercise, round down to the nearest whole number the number of Successor Company Shares to be issued to such holder. However, if more than one Successor Company Listed Warrant is exercised at any one time such that Successor Company Shares to be issued on exercise are to be registered in the same name, the number of such Successor Company Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Successor Company Listed Warrants being so exercised and rounded down to the nearest whole number of Successor Company Shares. No cash shall be paid in lieu of fractional Shares.

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3.5 Other conditions

The holders of the Successor Company Listed Warrants do not have the rights or privileges of holders of ordinary shares and any shareholder voting rights until they exercise their Successor Company Listed Warrants in accordance with the Conditions and receive Successor Company Shares. Until holders of Successor Company Listed Warrants exercise their Successor Company Listed Warrants in accordance with the Conditions and receive Successor Company Shares, they will not have any rights to participate in any distributions or offers of further securities made by the Successor Company.

4. PROCEDURE FOR EXERCISE OF SUCCESSOR COMPANY LISTED WARRANTS

4.1 Exercise Notice

- (a) To exercise the Exercise Right attaching to any Successor Company Listed Warrant, the Successor Company Warrant Holder must:
 - (i) deliver to the Hong Kong Share Registrar of the Successor Company at its own expense before 4: 30 pm Hong Kong time on any Business Day prior to the Expiration Date and before 4: 30 pm Hong Kong time on the Expiration Date, during the Exercise Period at the Hong Kong Share Registrar of the Successor Company's specified office in Hong Kong a duly completed and signed exercise notice (the "**Exercise Notice**") substantially in the form set out in Schedule 3 to the Instrument, together with the relevant certificate(s);
 - (ii) furnish such evidence (if any) as the Hong Kong Share Registrar of the Successor Company may require to determine the due execution of the Exercise Notice by or on behalf of the exercising Successor Company Warrant Holder (including every joint Successor Company Warrant Holder, if any) or otherwise to ensure the due exercise of the Successor Company Listed Warrants; and
 - (iii) if applicable, pay any fees for certificates for Successor Company Shares to be issued and the expenses of, and submit any necessary documents required in order to effect, the registration of Successor Company Shares in the name of the person or persons specified for that purpose in the Exercise Notice and delivery of the certificates for Successor Company Shares in accordance with the provisions of paragraph 4.4 below.
- (b) Exercise Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in Hong Kong.

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- (c) Exercise Rights may be exercised in respect of one or more Successor Company Listed Warrants.
- (d) Once a duly completed and signed Exercise Notice has been delivered and the certificate in respect of such Successor Company Listed Warrants has been surrendered, neither the relevant Successor Company Listed Warrants nor the relevant Exercise Notice may be withdrawn without the consent in writing of the Successor Company.

4.2 Exercise Date

- (a) The exercise date in respect of a Successor Company Listed Warrant (the "**Exercise Date**") shall be deemed to be the date on which the duly completed and signed Exercise Notice is received by the Hong Kong Share Registrar of the Successor Company (or such date is not a Business Day, the next Business Day).
- (b) A Warrant shall (provided that the provisions of paragraph 4.1 above are complied with) be treated as exercised on the Exercise Date relating to that Successor Company Listed Warrant. The relevant certificates shall be canceled as soon as practicable but in any event not later than five business days after the Exercise Date.

4.3 Taxes

- (a) The Successor Company must pay directly to the relevant authorities any taxes and capital, stamp, issue, documentary and registration duties ("**Taxes**") which are required to be paid by the Successor Company according to applicable laws and regulations arising on the execution and delivery of the Instrument, the issue of the Successor Company Listed Warrants, the issue of Successor Company Shares on exercise of the Successor Company Listed Warrants and/or the delivery of certificates on exercise of the Successor Company Listed Warrants.
- (b) The Successor Company shall be entitled to make any deduction or withholding for or on account of Taxes which it is required by law to make from any payment to be made by the Successor Company under the Instrument.
- (c) The Successor Company Warrant Holder shall be responsible for and must pay any Taxes in connection with a transfer of the Successor Company Listed Warrants pursuant to the Conditions and must declare in the relevant Exercise Notice that any amounts payable to the relevant tax authorities pursuant to this Condition have been paid, subject to any exemptions or waivers therefrom available to the Successor Company Warrant Holder under applicable law.

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4.4 Issue of Successor Company Shares

- (a) A Successor Company Warrant Holder:
- (i) who holds Successor Company Listed Warrants registered in its own name in the Register, upon exercise of such Successor Company Listed Warrants will receive physical share certificates in its name in respect of Successor Company Shares issued upon the exercise of such Successor Company Listed Warrants; or
 - (ii) who holds Successor Company Listed Warrants registered in the name of HKSCC Nominees, upon exercise of such Successor Company Listed Warrants will receive the certificate in respect of Successor Company Shares arising from the exercise of such Successor Company Listed Warrants in the name of, and to, HKSCC Nominees for the credit of the account(s) of such Successor Company Warrant Holder.
- (b) The Successor Company shall allot and issue Successor Company Shares arising from the exercise of the relevant Successor Company Listed Warrants by a Successor Company Warrant Holder in accordance with the instructions of such Successor Company Warrant Holder as set out in the Exercise Notice and:
- (i) where such Successor Company Warrant Holder will receive physical share certificates in respect of Successor Company Shares arising from the exercise of the relevant Successor Company Listed Warrants (the “**Successor Company Warrant Shares**”), the Successor Company shall as soon as practicable but in any event not later than five business days after the relevant Exercise Date register the person as holder(s) of the Successor Company Warrant Shares in the Successor Company’s register of members, and make the certificate in respect of the Successor Company Warrant Shares and the new certificate in respect of the Successor Company Listed Warrants which have not been exercised available for collection at the office of the Hong Kong Share Registrar of the Successor Company (being Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong) or such other places in Hong Kong as may be notified to Successor Company Warrant Holders in accordance with the provisions set out in paragraph 10 below or, if so requested in the relevant Exercise Notice, cause the Hong Kong Share Registrar of the Successor Company to mail (at the risk and expense of the holder of such Successor Company Warrant Shares and the holder of such Successor Company Listed Warrants which have not been exercised) such certificate to the person and at the place specified in the Exercise Notice; and

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SUMMARY OF THE TERMS OF THE SUCCESSOR COMPANY LISTED WARRANTS

- (ii) where the relevant Successor Company Listed Warrants are registered in the name of HKSCC Nominees, the Successor Company shall as soon as practicable but in any event not later than five business days after the relevant Exercise Date, register HKSCC Nominees as holder of the Successor Company Warrant Shares in the Successor Company's register of members and shall dispatch the certificate in respect of such Successor Company Warrant Shares and the new certificate in respect of the Successor Company Listed Warrants which have not been exercised in the name of, and to, HKSCC Nominees for the credit of the accounts of such Successor Company Warrant Holder.
- (c) A single share certificate shall be issued in respect of all Successor Company Shares issued on the exercise of the Successor Company Listed Warrants subject to the same Exercise Notice and which are to be registered in the same name.
- (d) The person shall become the holder of record of the number of Successor Company Shares issuable upon exercise with effect from the date he is or they are registered as such in the Successor Company's register of members (the "**Registration Date**").
- (e) The Successor Company Warrant Shares issued upon exercise of the Exercise Right shall be fully paid and shall in all respects rank *pari passu* with the fully paid Successor Company Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Successor Company Shares shall not be eligible for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

5. REDEMPTION OF SUCCESSOR COMPANY LISTED WARRANTS

5.1 Redemption of Successor Company Listed Warrants

- (a) Commencing from at least 12 months after the Closing, the Successor Company may, at its sole discretion, redeem all (and not some) of the outstanding unexercised Successor Company Listed Warrants
 - (i) in whole and not in part;
 - (ii) at a price of HK\$0.01 per Successor Company Warrant;
 - (iii) upon a minimum of 30 days' prior written notice of redemption (the "**Redemption Notice**"), which may be served upon the date of the 12-month anniversary of the Closing, to the Successor Company Warrant Holders; and

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- (iv) if, and only if, the last reported closing price of the Successor Company Share equals or exceeds HK\$18.00 per Successor Company Share (the "**Redemption Threshold**") for any 20 trading days within a consecutive 30-trading day period ending on the third trading day immediately prior to the date on which the Redemption Notice is provided to the Successor Company Warrant Holders. The Successor Company shall fix and specify in the Redemption Notice a redemption date (the "**Redemption Date**") which shall be not less than 30 days from the date of the Redemption Notice, and the Redemption Notice shall be given to Successor Company Warrant Holders in accordance with the provision of paragraph 10 below.

- (b) As soon as practicable after the Redemption Date, the Successor Company shall pay the Successor Company Warrant Holders the aggregate Redemption Price for the Successor Company Listed Warrants being redeemed by sending them a cheque drawn payable to the relevant Successor Company Warrant Holder by uninsured mail at the risk of the Successor Company Warrant Holder to the address of such Successor Company Warrant Holder appearing on the Register.

5.2 Suspension of trading of Successor Company Listed Warrants

- (a) Trading in the Successor Company Listed Warrants on the Stock Exchange is expected to cease at 4: 00 pm Hong Kong time on the Redemption Date (or such other date as the Successor Company may notify Successor Company Warrant Holders when the Redemption Notice is issued). Any unexercised Successor Company Listed Warrants outstanding as at the Redemption Date shall be redeemed by the Successor Company at the Redemption Price. Any Successor Company Listed Warrants so redeemed shall be deemed to be canceled and lapse.

- (b) For the avoidance of doubt, Successor Company Warrant Holders may exercise their Successor Company Listed Warrants at any time during the Redemption Period (even if the price of Successor Company Shares decreases to below the Redemption Threshold) and receive a number of Successor Company Shares equal to the product of the number of Successor Company Shares underlying their Successor Company Listed Warrants multiplied by the Maximum Conversion Ratio. Any Successor Company Listed Warrants in respect of which an Exercise Notice has been delivered during the Redemption Period shall not be redeemed, and a Successor Company Warrant Holder shall not be entitled to receive the Redemption Price in respect of such exercised Successor Company Listed Warrants. Following the Redemption Date, any Successor Company Warrant Holder whose Successor Company Listed Warrants have not been duly exercised in accordance with the Conditions, shall have no further rights.

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- (c) The Successor Company shall publish an announcement on the Stock Exchange, setting out (amongst other things) the date of the Redemption Notice and the deadline for holders of Successor Company Listed Warrants to exercise their Successor Company Listed Warrants, at least one trading day prior to the date the Successor Company sends the Redemption Notice to Successor Company Warrant Holders.

6. ANTI-DILUTION ADJUSTMENTS ("ADJUSTMENT")

- (a) In the event of any sub-division or consolidation of Successor Company Shares, the number of Successor Company Shares which Successor Company Warrant Holders shall be entitled to on exercise of their Successor Company Listed Warrants on a one-for-one ratio shall be correspondingly adjusted in proportion to the increase or decrease, as applicable (provided that such adjustment shall not result in the relevant Promoter being entitled to a higher proportion of Successor Company Shares than it was originally entitled to as at the Listing Date, as adjusted by such sub-division or consolidation of Successor Company Shares).
- (b) The share price triggers for the exercise of the Successor Company Listed Warrants, the Exercise Price, the FMV Cap and the Redemption Threshold shall also be adjusted proportionately for the events set out in the paragraph (a) above.
- (c) Adjustments for dilutive events not provided for in paragraph (a) above may be proposed by the Successor Board, acting on a fair and reasonable basis and always subject to any requirements under the Listing Rules.
- (d) The Successor Company shall provide details of any Adjustments, following consultations with the Stock Exchange, to Successor Company Warrant Holders through a Stock Exchange announcement.

7. FURTHER ISSUES

Subject to compliance with the Listing Rules (including approval from the Stock Exchange), the Successor Company may from time to time create and issue further warrants ranking equally in all respects with the Successor Company Listed Warrants and so that any such further warrants may carry rights identical in all respects to those attaching to the Successor Company Listed Warrants.

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**8. MEETINGS OF SUCCESSOR COMPANY WARRANT HOLDERS AND
MODIFICATION OF RIGHTS**

- (a) The Instrument contains provisions for convening meeting of Successor Company Warrant Holders to consider any matter affecting the interests of Successor Company Warrant Holders, including requirements as to notice and quorum, and the approval of any modification of the Successor Company Listed Warrants or the Instrument.
- (b) A resolution duly passed at any meeting of Successor Company Warrant Holders shall be binding on all Successor Company Warrant Holders, whether or not they were present at the meeting. Successor Company Listed Warrants which have not been exercised but have been lodged for exercise shall not confer the right to attend or vote at, or join in convening, or be counted in the quorum for any meeting of Successor Company Warrant Holders.
- (c) The Successor Company may, without the consent of the Successor Company Warrant Holders but in accordance with the terms of the Instrument and with the approval of the Stock Exchange, effect any modification to the Successor Company Listed Warrants or the Instrument which, in the opinion of the Successor Company, is:
 - (i) to cure any ambiguity or correct any mistake, including to conform the provisions of the Instrument to the description of the terms of the Successor Company Listed Warrants and the Instrument set forth in this document, or defective provision;
 - (ii) to amend the provisions relating to cash dividends on ordinary shares of the Successor Company as contemplated by and in accordance with the Instrument;
 - (iii) to make any amendments that are necessary in the good faith determination of the Successor Board (taking into account then existing market precedents) to allow for the Successor Company Listed Warrants to be classified as equity in the Successor Company's financial statements; provided that such amendments shall not allow any modification or amendment to the Instrument that would increase the Exercise Price or shorten the Exercise Period; or
 - (iv) to add or change any provisions with respect to matters or questions arising under the Instrument as the Successor Board may deem necessary or desirable and that the Successor Board deems to not adversely affect the rights of the Successor Company Warrant Holders in any material respect.

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Any such modification made by the Successor Company in accordance with the conditions (i)-(iii) set out above shall be binding on all Successor Company Warrant Holders and all persons having an interest in the Successor Company Listed Warrants and shall be notified to them in accordance with the Instrument as soon as practicable thereafter.

- (d) Other than any modifications made by the Successor Company in accordance with the condition (i)-(iii) set out above, all other modifications or amendments to the Successor Company Listed Warrants or the Instrument shall comply with the requirements under the Listing Rules and shall first have been approved by the vote or written consent of at least 50% of the then outstanding Successor Company Listed Warrants.

9. PURCHASES

The Successor Company may at any time purchase the Successor Company Listed Warrants at any price in the open market or otherwise subject to compliance with all applicable laws and regulations and the Listing Rules.

10. REPLACEMENT OF CERTIFICATES

If a certificate is mutilated, defaced, lost, stolen or destroyed, it may, subject to applicable law and at the discretion of the Hong Kong Share Registrar of the Successor Company, be replaced upon request by the Successor Company Warrant Holder at the specified office of the Hong Kong Share Registrar of the Successor Company on payment of such costs as may be incurred in connection therewith, and on such terms as to evidence, indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed certificate in respect of the Successor Company Listed Warrants is subsequently exercised, there shall be paid to the Successor Company on demand the market value of the Successor Company Listed Warrants at the time of the replacement thereof), advertisement, undertaking and otherwise as the Successor Company may require. Mutilated or defaced certificates must be surrendered to the Successor Company before replacements shall be issued. The replacement certificate shall be issued to the registered holder of the certificate replaced.

11. NOTICES

- (a) The Instrument contains provisions relating to notices to be given to the Successor Company Warrant Holders.
- (b) Every Successor Company Warrant Holder shall register with the Successor Company an address in Hong Kong or elsewhere to which notices can be sent and if any Successor Company Warrant Holder shall fail so to do, notice may be given to such Successor Company Warrant Holder in any manner set out in the Instrument to its last known place of business or residence.

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**SUMMARY OF THE TERMS OF THE
SUCCESSOR COMPANY LISTED WARRANTS**

- (c) Notices to the Successor Company Warrant Holders shall be valid if delivered by hand, ordinary mail, registered post, courier or facsimile to them at their respective addresses in the Register and in the case of joint holdings, to the Successor Company Warrant Holder whose name appears first in the Register. Alternatively, notices to the Successor Company Warrant Holders may be given by the Successor Company through publication of an announcement on the Stock Exchange website.

- (d) A notice given under the Instrument shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, ordinary mail, registered post or courier, (ii) at the time of transmission if delivered by facsimile or (iii) at the time of publication of the relevant announcement on the Stock Exchange website. Where delivery occurs outside business hours in the place of receipt, notice shall be deemed to have been received at the start of business hours in the place of receipt on the next following Business Day.

12. GOVERNING LAW AND JURISDICTION

The Instrument and the Successor Company Listed Warrants and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Hong Kong law.

APPENDIX IX

DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk, Vision Deal’s website at www.visiondeal.hk and the Successor Company’s website at www.quwangroup.com during a period of 14 days from the date of this circular:

- (a) the Company Articles of Vision Deal;
- (b) the Private Company Memorandum and Articles of Vision Deal;
- (c) the Memorandum of Association and the Articles of the Successor Company;
- (d) the service contracts or the letters of appointment with the Directors of the Successor Company referred to in the subsection headed “Statutory and General Information – D. Further Information about the Directors and Substantial Shareholders of the Successor Company – 2. Particulars of Service Contracts” in Appendix VII to this circular;
- (e) the letter from the Vision Deal Board dated [●], the text of which is set out in “Letter from the Vision Deal Board”;
- (f) the Offering Circular of Vision Deal and the annual report of Vision Deal for the year ended December 31, 2022;
- (g) the Accountant’s Report and the report on the unaudited pro forma financial information of the Successor Group from PricewaterhouseCoopers, the texts of which are set out in Appendix I and Appendix III to this circular, respectively;
- (h) the audited consolidated financial statements of the Target Company for the three financial years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023;
- (i) the PRC legal opinions issued by Commerce & Finance Law Offices, the Target Company PRC Legal Advisor, in respect of certain general corporate matters and the property interests of the Target Group in the PRC;
- (j) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, the Target Company’s legal adviser as to the laws of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix V to this circular;
- (k) the industry report prepared by Frost & Sullivan Limited;
- (l) the Cayman Companies Act;

APPENDIX IX

DOCUMENTS ON DISPLAY

- (m) the material contracts referred to in the subsection headed “Statutory and General Information – C. Further Information about the Business – 1. Summary of Material Contracts” in Appendix VII to this circular;
- (n) the written consents referred to in the subsection headed “Statutory and General Information – F. Other Information – 9. Consent of Experts” in Appendix VII to this circular;
- (o) the terms of the 2020 Plan;
- (p) the terms of the Post-Listing Share Incentive Plan; and
- (q) a copy of this circular.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of a list of grantees under the 2020 Global Employee Incentive Plan, containing all details as required under the Listing Rules and Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 10/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from date of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Vision Deal HK Acquisition Corp.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 7827)

(Warrant Code: 4827)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Vision Deal HK Acquisition Corp. (the “**Company**” or “**Vision Deal**”) will be held at [address] on [day], [date] at [time] [a.m./p.m.] for the purpose of considering and, if thought fit, passing the following resolutions of Vision Deal:

AS ORDINARY RESOLUTIONS

1. “**THAT:** subject to the passing of resolutions (2), (3), (4) and (5) and conditional upon the Listing Committee granting the listing of, and permission to deal in, the Successor Company Shares and Successor Company Warrants (each as defined in the Circular (as defined below)) on the Main Board of the Stock Exchange:
 - (A) the PIPE Investment Agreements each dated December 8, 2023 (a copy of which marked [“**A1**” to “**A20**”], respectively, has been tabled before the EGM and signed by the chairman of the EGM for the purpose of identification), and the PIPE Investments contemplated thereunder, as more particularly described in the circular issued by Vision Deal on [date] (the “**Circular**”, a copy of which marked “**B**” has been tabled before the EGM and signed by the chairman of the EGM for the purpose of identification), be and are hereby approved, confirmed and ratified;
 - (B) the Share Transfer Agreements each dated December 8, 2023 (a copy of which marked [“**C1**” to “**C2**”], respectively, has been tabled before the EGM and signed by the chairman of the EGM for the purpose of identification), and the Share Transfer contemplated thereunder, as more particularly described in the Circular, be and are hereby approved, confirmed and ratified;
 - (C) the Business Combination Agreement dated December 8, 2023 (a copy of which marked “**D**” has been tabled before the EGM and signed by the chairman of the EGM for the purpose of identification), and the Merger and Earn-out Rights granted to the founding shareholders and key senior management of Quwan Holding Limited contemplated thereunder, as more particularly described in the Circular, be and are hereby approved, confirmed and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (D) from the date of the Business Combination Agreement until the Listing Date, Vision Deal be and is authorized to enter into one or more permitted equity subscription agreement(s) with one or more investors;
 - (E) the directors of Vision Deal (the "**Vision Deal Directors**") acting collectively or individually, be and are hereby authorized to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to this Ordinary Resolution and all of the transactions contemplated thereunder."
2. "**THAT**, subject to the passing of resolutions (1), (4) and (5), the withdrawal of the listing of the SPAC Class A Shares on the Main Board of The Stock Exchange of Hong Kong Limited be approved and the Vision Deal Directors acting collectively or individually, be and are hereby authorized to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to this Ordinary Resolution."
3. "**THAT**, subject to the passing of resolutions (1), (2) and (5),
- (A) there being no holders of any outstanding security interest granted by Vision Deal immediately prior to the Effective Time (as defined in the Plan of Merger), the Plan of Merger be executed by any one Vision Deal Director on behalf of Vision Deal and any Vision Deal Director, or Maples and Calder (Cayman) LLP, on behalf of Appleby Global Services (Cayman) Limited, be authorized to submit the Plan of Merger, together with any supporting documentation, for registration to the Registrar of Companies of the Cayman Islands; and
 - (B) the Vision Deal Directors acting collectively or individually, be and are hereby authorized to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Special Resolution and all of the transactions contemplated thereunder."

NOTICE OF EXTRAORDINARY GENERAL MEETING

AS SPECIAL RESOLUTIONS

4. “**THAT**, subject to the passing of resolutions (1), (2) and (5),
- (A) the plan of merger, by and between Vision Deal and QW Merger Sub Limited (“**Target Merger Sub**”) (in the form marked “**E**” which has been tabled before the EGM and signed by the chairman of the EGM for the purpose of identification) (the “**Plan of Merger**”), be authorized, confirmed and approved in all respects; (B) Vision Deal be authorized to merge with the Target Merger Sub (the “**Merger**”) so that Vision Deal will be the surviving company (surviving the Merger as a wholly owned subsidiary of Quwan Holding Limited, in accordance with the terms and subject to the conditions of the Business Combination Agreement and the Plan of Merger) and all the undertaking, property, rights, debts, liabilities, duties and obligations of Target Merger Sub and Vision Deal shall vest in Vision Deal by virtue of the Merger pursuant to the provisions of the Companies Act (As Revised) of the Cayman Islands (the “**Cayman Companies Act**”); and
- (B) Vision Deal be authorized to enter into the Plan of Merger.”
5. “**THAT**, subject to the passing of resolutions (1), (2) and (3), the second amended and restated memorandum and articles of association (a copy of which marked “**F**” has been tabled before the EGM and signed by the chairman of the EGM for the purpose of identification) (the “**Private Company Memorandum and Articles**”) be and is hereby approved and adopted as at the Effective Time (as defined in the Plan of Merger) as the memorandum and articles of association of Vision Deal in substitution for and to the exclusion of the Memorandum and Articles of Vision Deal in effect immediately before the Effective Time and the Vision Deal Directors and the registered office provider of Vision Deal acting collectively or individually, be and are hereby authorized to do all things necessary to effect and record the adoption of the Private Company Memorandum and Articles.”

By order of the Vision Deal Board
Vision Deal HK Acquisition Corp.
Zhe WEI
Chairman and Executive Director

Hong Kong, [●], 2024

Notes:

1. All resolutions at the Extraordinary General Meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and Vision Deal in accordance with the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. Any shareholder of Vision Deal entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy/more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of Vision Deal. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form(s) of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the form(s) of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at Hong Kong Share Registrar of Vision Deal, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e. not later than [time] [a.m./p.m.] on [day], [date]) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of Vision Deal from attending and voting in person at the Extraordinary General Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the Extraordinary General Meeting, the register of members of Vision Deal will be closed from [day], [date] to [day], [date], both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Extraordinary General Meeting, unregistered holders of shares of Vision Deal shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with Vision Deal's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than [time] [a.m./p.m.] on [day], [date].
5. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
6. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board of Directors of Vision Deal comprises Mr. Zhe WEI (chairman), Mr. Lin FENG (chief executive officer) and Mr. Lishu LOU (chief strategy officer) as the executive Directors of Vision Deal, Mr. Juan Christian GRAF THUN-HOHENSTEIN, Mr. Shu Fun Francis Alvin LAI and Mr. Wai Hung CHEUNG as the non-executive Directors of Vision Deal, and Mr. Michael WARD, Mr. Shengwen RONG, Dr. Weiru CHEN and Dr. Shirley Ze YU as the independent non-executive Directors of Vision Deal.