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## Application Proof of



# UNI-STAR INTERACTIVE HOLDING LIMITED

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

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## UNI-STAR INTERACTIVE HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] Shares (subject to the  
[REDACTED] [REDACTED])

Number of [REDACTED] : [REDACTED] Shares (subject to  
reallocation)

Number of [REDACTED] : [REDACTED] Shares (subject to  
reallocation and the [REDACTED])

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

Nominal value : US\$0.00001 per Share  
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED], [REDACTED] and [REDACTED]



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The [REDACTED] is expected to be determined by agreement between us, and the [REDACTED] (for itself and on behalf of the [REDACTED]) on or about [REDACTED], [REDACTED] and, in any event, not later than [REDACTED], [REDACTED]. The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. Applicants for [REDACTED] are required to pay, on application, the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED] for each [REDACTED] together with brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] as finally determined is less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed between us and the [REDACTED] (for itself and on behalf of the [REDACTED]) on or before [REDACTED], [REDACTED], the [REDACTED] (including the [REDACTED]) will not proceed and will lapse.

The [REDACTED] may, for itself and on behalf of the [REDACTED], where considered appropriate and with the consent of our Company, reduce the number of [REDACTED] and/or the indicative [REDACTED] stated in this document at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. In such a case, we will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the day which is the last day for lodging [REDACTED] under the [REDACTED], cause there to be published on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.xbhy.cn](http://www.xbhy.cn). See “Structure of the [REDACTED]” and “How to Apply for the [REDACTED]” in this document for more details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold only (a) in the United States to “Qualified Institutional Buyers” in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S.

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[REDACTED]

[REDACTED]

**IMPORTANT**

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[REDACTED]

**IMPORTANT**

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**[REDACTED]**

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]



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## SUMMARY

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*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED] in the [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].*

## OVERVIEW

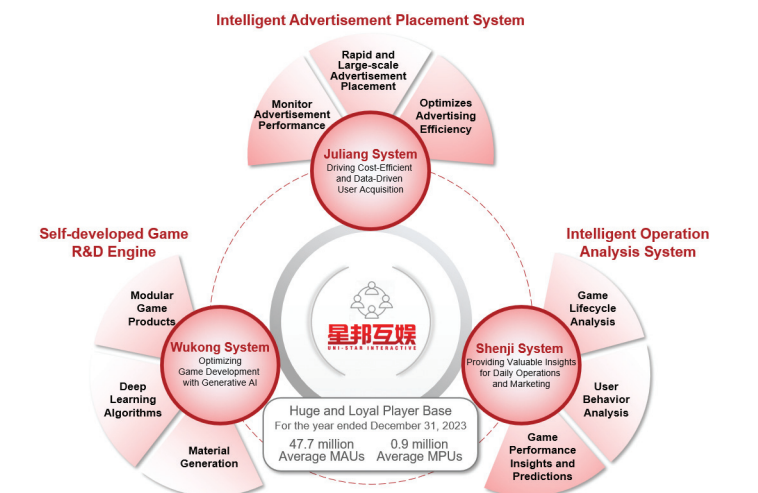
We are a leading mobile game company with integrated development, publishing and operation capabilities in China, with a vision to promote the understanding and appreciation of Chinese culture to the world. Dedicated to reshaping the landscape of China’s mobile game industry and to industrializing the process of game development, publishing and operation, we have successfully achieved rapid growth and expansion since our inception. We distinguished ourselves from peers by offering a diversified game portfolio with various highly recognized games and a robust game pipeline. Specially, we are a pioneer in the instant game sector, which enjoys higher growth rate in recent years as modern game players prefer fun, easily accessible and convenient game experience. Around 90% of our total gross billings of mobile games during the Track Record Period were derived from instant games. Such achievements fully exhibit our technology-backed competitive edge in terms of game development, publishing, and operation, all of which featuring strong data-driven analytical capabilities and highly automated AI technology. Set forth below are some key rankings of our Group in 2023:

- We ranked first among all mobile game companies in China in terms of gross billings derived from instant games.
- We ranked second among all mobile game companies in China in terms of gross billings from Chinese ancient cultural RPG games.
- We ranked third among all mobile game companies in China in terms of gross billing from RPG games.
- We ranked first among all mobile game companies in China in terms of gross billings from idle games.
- We ranked sixth in terms of gross billing among all mobile game companies in China that have integrated development, publishing and operation capabilities.

## SUMMARY

Since 2017, we have been engaged in an industrialized business strategy that integrates development, publishing, and operation of mobile games, focusing primarily on RPG games. We believe our strategy serves as a robust basis for our proven track record in the mobile gaming sector. This strategy also grants us unique resilience to efficiently counter the inherent risks and challenges in this industry. Owing to the efficiency bolstered by AI-empowered technologies, our overall game portfolio has witnessed a substantial growth in gross billings. In 2023, our annual gross billings was more than ten times that of 2017. In particular, staying primarily focused on RPG games, we successfully incubated many landmark games, such as Nine Realms: Sword & Immortals (九州仙劍傳), Sword Fantasy (天劍奇緣), and others. The enduring success of these games and their prolonged lifecycles beyond the industry average have confirmed the feasibility of our business strategy. We believe the following factors provide solid foundation for us to achieve sustainable development and to improve our profitability, subject to associated risks and challenges: (1) the enduring popularity and prolonged lifecycle of landmark games; (2) strong performance of our newly launched games; (3) first-mover advantage in instant games to attract and reach wider player pool; and (4) enhanced R&D, publishing and operating capabilities.

Leveraging our strong technology capability, we have developed proprietary supporting systems that each serve a key function throughout the lifecycle of a game product, namely Wukong System (孫大聖系統), Shenji System (神機系統), and Juliang System (聚量系統). For more details, see “Business — Technology and Infrastructure” in this document. These systems empowered our staff to conveniently adopt data-driven and AI-empowered tools in their daily work, effectively optimized efficiency, quality and effectiveness of our R&D, publishing, as well as operation and promotion. The diagram below illustrates the interplay between our business process and our major technological infrastructure:



## SUMMARY

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### OUR STRENGTHS

We believe the following competitive strengths contributed to our success and position us for continued growth:

- China’s leading mobile game company with industrialized R&D, publishing and operation capabilities;
- efficient game development process supported by AI technology to create high quality games;
- systematic game publishing capabilities and optimized game promotions to achieve market leadership;
- fast-growing player base supported by in-depth player insights and proprietary technology infrastructure; and
- seasoned and visionary management team.

### OUR STRATEGIES

To drive our continued growth and achieve this mission, we will implement the following strategies:

- continue to strengthen our industrialized business strategy and enrich our game portfolio;
- continue to enhance our AI technology and infrastructure;
- continue to enhance publishing capabilities to expand the player base and improve player stickiness;
- continue to expand our overseas business; and
- seek strategic alliances and investment opportunities.

### OUR BUSINESS MODEL

During the Track Record Period, we published and operated games that are developed by ourselves, as well as games licensed from third-party developers that we consider with strong potential. In addition, while we focus on continuously enhancing our in-house publishing capability, we also engaged third-party publishers when we consider their capability may effectively complement our business operations, taking into account their established distribution channels, game marketing and promotion capabilities, as well as market reputation and influence. To allow our games to achieve optimal public exposure and enable game players to enjoy convenient access, we adopt comprehensive distribution channels for self-publishing, comprising (i) our self-operated distribution channels, such as our official website and our WeChat official account; and (ii) various third-party distribution channels, such as iOS App Store, WeChat mini program, OPPO game center and vivo mini game.

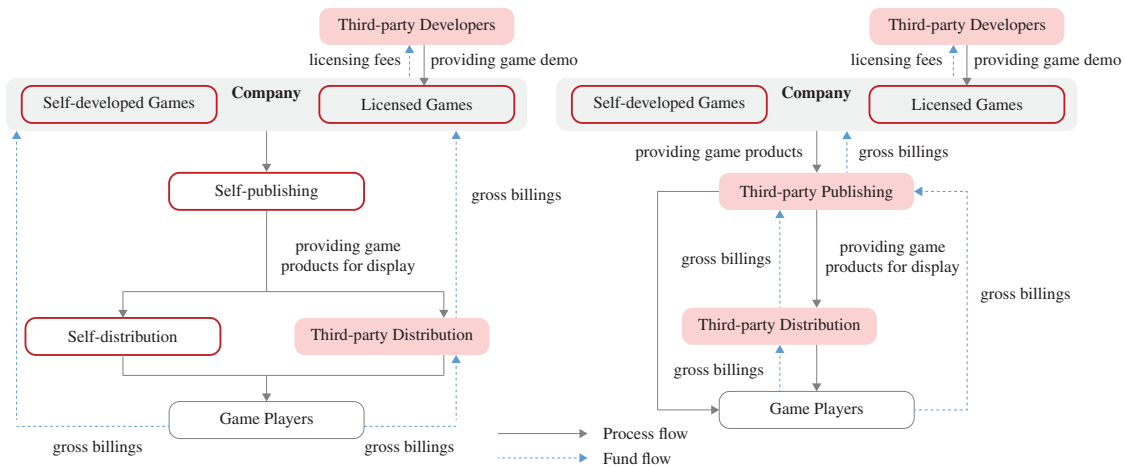
## SUMMARY

Our mobile games are currently offered on free-to-play basis, where revenue are generated from the sales of in-game virtual items, such as consumables, avatars, skills, privileges, or other in-game features or functions. During the Track Record Period, we generated revenue from our mobile games through four different models as illustrated below, depending on whether the games were self-developed or licensed from third-party developers and whether they were self-published or third-party published.

The flow-charts exemplifying our business model and fund flow are provided below:

### Self-publishing model

### Third-party publishing model



## OUR EXISTING GAMES AND GAME PIPELINE

During the Track Record Period, we generated all of our revenue from mobile games, with amounts of RMB5,675.1 million, RMB5,327.1 million and RMB2,094.5 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. Our mobile game offerings mainly consist of RPGs. As of the Latest Practicable Date, we had a total twelve mobile games in operation and a pipeline of 18 games that we plan to launch by 2027, covering a variety of genres, such as RPGs, card games, SIMs, and SLGs.

## SUMMARY

The following table sets out the details of our six landmark games as of the Latest Practicable Date:

No.	Title	Game Genre and Playing Pattern	Language	Official Launch Date <sup>(1)</sup>	Source	Publishing Model(s) as of the Latest Practicable Date	Lifecycle Stage as of the Latest Practicable Date	Expected Lifecycle <sup>(2)</sup>	Remaining Duration of Lifecycle as of the Latest Practicable Date	Major Markets <sup>(4)</sup>
1	Nine Realms: Sword & Immortals (九州仙劍傳)	ARPG, idle	Simplified Chinese	December 2019	Licensed	Self-publishing and third-party publishing	Recession	72 months	ten months	China
2	Sword Fantasy (天劍奇緣)	ARPG, idle	Simplified Chinese, Traditional Chinese, English	November 2020	Self-developed	Self-publishing and third-party publishing	Maturity	72 months	21 months	Asia & Pacific regions
3	Demon Hunter (黎明召喚)	MMORPG, idle	Simplified Chinese, English, Japanese, Korean, German, French, Spanish, Portuguese	October 2020; June 2021 to October 2022 <sup>(3)</sup>	Self-developed	Self-publishing and third-party publishing	Recession	60 months	eight months	Asia & Pacific regions, Europe and the Americas, Middle-east regions
4	Mysterious World: Awakening (異界深淵:覺醒)	ARPG, idle	Simplified Chinese, Korean, English	May 2021	Self-developed	Self-publishing and third-party publishing	Recession	54 months	nine months	Asia & Pacific regions, Europe and the Americas
5	Mysterious World: Spirit King (異界深淵:大靈王)	ARPG, idle	Simplified Chinese	August 2023	Self-developed	Self-publishing and third-party publishing	Growth	72 months	54 months	China
6	Sword Path of the Mountain and Sea (山海劍途)	ARPG card game, idle	Simplified Chinese	June 2023	Self-developed	Self-publishing and third-party publishing	Growth	72 months	52 months	China

*Notes:*

- (1) Official launch date is the date when the management team determines to launch the game based on the operating performance of the game during the testing period.
- (2) Expected lifecycles (in months) are estimated based on the industry average lifecycles for different genres of games, as well as our past experience operating similar games and gross billings generated by the relevant game. However, the actual lifecycles of these games may differ from the durations presented in the table.
- (3) The Chinese version was launched in October 2020; overseas versions were launched during the period from June 2021 to October 2022.
- (4) Major markets are those that we considered to be of strategic importance.

## SUMMARY

We have been expanding our games portfolio mainly through the self-development of new games. As of the Latest Practicable Date, we had a game pipeline of 18 games, consisting of 15 self-developed games and three licensed games. For details, see “Business — Our Games — Our Game Pipeline” in this document.

### KEY OPERATING METRICS

We measure our games’ performance by the following key operating metrics, namely, (i) gross billings, (ii) average MAUs, (iii) average MPUs, (iv) AGBPPU, and (v) cumulative registered players. The number of registered players used for the calculation of average MAUs, average MPUs, AGBPPU, and cumulative registered players represents the number of accounts, which is calculated with reference to the number of accounts registered with our games as of a specified date. It may not represent the exact number of our registered players in any and all of our games as a player may have registered multiple player accounts with any of our games. The following tables set forth these operating metrics for our mobile games that were in operation as well as our landmark games for the periods indicated or as of the dates indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
Gross billings (RMB in thousands)	6,393,498	5,706,830	4,565,513	2,234,276
Average MAUs (in thousands)	67,554	47,722	54,907	20,443
Average MPUs (in thousands)	1,070	908	965	546
AGBPPU (RMB)	490	524	526	456

	As of December 31,		As of
	2022	2023	September 30,
			2024
Cumulative registered player (in thousands)	1,000,691	1,494,535	1,653,811

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024

*(in thousands)*

#### Gross Billings (RMB)

##### Nine Realms: Sword & Immortals

(九州仙劍傳)	3,070,928	2,381,981	2,006,653	538,018
Sword Fantasy (天劍奇緣)	2,413,924	2,671,500	2,089,799	954,324
Demon Hunter (黎明召喚)	325,594	179,323	132,869	70,619
Mysterious World: Awakening (異界深淵:覺醒)	271,056	128,676	116,236	25,074
Mysterious World: Spirit King (異界深淵:大靈王)	–	92,112	27,976	399,590
Sword Path of the Mountain and Sea (山海劍途)	–	27,068	6,790	146,573



## SUMMARY

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>(in thousands)</i>			
<b>Average MAUs</b>				
Nine Realms: Sword & Immortals (九州仙劍傳)	37,137	26,973	31,316	6,712
Sword Fantasy (天劍奇緣)	24,672	17,274	20,134	3,743
Demon Hunter (黎明召喚)	307	259	228	82
Mysterious World: Awakening (異界深淵:覺醒)	2,157	802	1,013	237
Mysterious World: Spirit King (異界深淵:大靈王)	–	729	341	6,620
Sword Path of the Mountain and Sea (山海劍途)	–	185	52	1,923

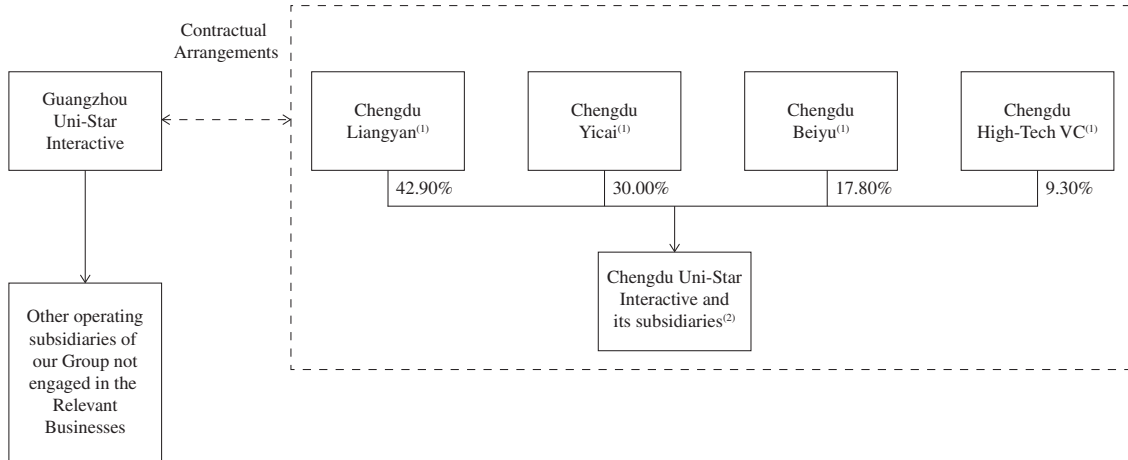
	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>(in thousands)</i>			

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
<b>Average MPUs</b>				
Nine Realms: Sword & Immortals (九州仙劍傳)	368	255	282	93
Sword Fantasy (天劍奇緣)	532	522	560	264
Demon Hunter (黎明召喚)	43	26	24	12
Mysterious World: Awakening (異界深淵:覺醒)	62	30	37	7
Mysterious World: Spirit King (異界深淵:大靈王)	–	23	12	104
Sword Path of the Mountain and Sea (山海劍途)	–	7	3	36



## SUMMARY

The following simplified diagram illustrates the Contractual Arrangements:



“” denotes direct legal and beneficial ownership in the equity interest.

“” denotes contractual relationship.

“” denotes the entities that are subject to the Contractual Arrangements.

### Notes:

- (1) Chengdu Liangyan, Chengdu Yicai, Chengdu Beiyu and Chengdu High-Tech VC are the Registered Shareholders.
- (2) As of the Latest Practicable Date, Chengdu Uni-Star Interactive had 16 wholly-owned subsidiaries, namely, Chengdu Dingqingshan Network Technology Co., Ltd. (成都定青山網絡科技有限公司), Shanghai Aoren Network Technology Co., Ltd. (上海澳仁網絡科技有限公司), Shanghai Jushi Network Technology Co., Ltd. (上海聚市網絡科技有限公司), Chengdu Hehuida Network Technology Co., Ltd. (成都合輝達網絡科技有限公司), Shanghai Yuanxi Network Technology Co., Ltd. (上海圓戲網絡科技有限公司), Shanghai Yuexi Network Technology Co., Ltd. (上海悅戲網絡科技有限公司), Chengdu Herunxuan Network Technology Co., Ltd. (成都合潤軒網絡科技有限公司), Chengdu Jinhongtu Network Technology Co., Ltd. (成都錦宏圖網絡科技有限公司), Hainan Xingbang Interactive Entertainment Network Technology Co., Ltd. (海南星邦互娛網絡科技有限公司), Shanghai Qunong Network Technology Co., Ltd. (上海趣農網絡科技有限公司), Shanghai Lingku Network Technology Co., Ltd. (上海零酷網絡科技有限公司), Hainan Jianzhi Network Technology Co., Ltd. (海南劍指網絡科技有限公司), Shanghai Pingyekuo Network Technology Co., Ltd. (上海平野闊網絡科技有限公司), Guangzhou Renfengjin Network Technology Co., Ltd. (廣州任風勁網絡科技有限公司), Huludao Xingbang Network Technology Co., Ltd. (葫蘆島星邦網絡科技有限公司) and Yibin Xingcheng Network Technology Co., Ltd. (宜賓星澄網絡科技有限公司).

## OUR SHAREHOLDERS

As of the Latest Practicable Date, Mr. Guo was entitled to exercise voting rights attached to the Shares representing approximately 57.54% of the total issued share capital of our Company through Great Guo HL, Great Guo FHL, Springberg FHL and Sincebloom FHL, and Ms. Guo, the daughter of Mr. Guo, was entitled to exercise voting rights attached to the Shares representing approximately 33.16% of the total issued share capital of our Company through Orchid Lan HL and Orchid Lan FHL. For further details relating to Great Guo HL, Great Guo FHL, Springberg FHL, Sincebloom FHL, Orchid Lan HL and Orchid Lan FHL, see “History, Reorganization and Corporate Structure — Our Structure Immediately Prior to the [REDACTED]” in this document.

## SUMMARY

Throughout the Track Record Period and up to the date of this document, Mr. Guo has not held any position in our Group. He has deferred to his daughter, Ms. Guo, pertaining to our Group’s daily operations and has not exercised voting rights in our Company in conflict with Ms. Guo. Upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Guo and Ms. Guo will be collectively entitled to exercise voting rights attached to the Shares representing approximately [REDACTED]% of the total issued share capital of our Company. Therefore, Mr. Guo, Ms. Guo, Great Guo HL, Great Guo FHL, Springberg FHL, Sincebloom FHL, Orchid Lan HL and Orchid Lan FHL will be considered as a group of our Controlling Shareholders upon [REDACTED].

Chengdu High-Tech VC is our Pre-[REDACTED] Investor and holds its equity interests in our Company through its wholly-owned subsidiary, Chengdu New-Eco Investment Holdings Limited after the completion of the Reorganization. For details, see “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investment” in this document.

### SUMMARY HISTORICAL FINANCIAL INFORMATION

#### Summary of Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income in absolute amounts and as percentages of the total revenue for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,				
	2022		2023		2023		2024		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
						<i>(unaudited)</i>	<i>(unaudited)</i>		
Revenue	5,675,082	100.0	5,327,103	100.0	4,261,381	100.0	2,094,507	100.0	
Cost of Sales	(3,938,421)	(69.4)	(3,928,006)	(73.7)	(3,204,161)	(75.2)	(1,393,689)	(66.5)	
Gross profit	1,736,661	30.6	1,399,097	26.3	1,057,220	24.8	700,818	33.5	
Other income and gains	11,017	0.2	23,521	0.4	19,900	0.4	14,374	0.7	
Selling and distribution expenses	(1,215,082)	(21.4)	(963,139)	(18.1)	(700,044)	(16.4)	(612,370)	(29.2)	
Administrative expenses	(48,942)	(0.9)	(47,536)	(0.9)	(34,889)	(0.8)	(35,862)	(1.7)	
Research and development costs	(159,776)	(2.8)	(210,012)	(3.9)	(147,127)	(3.5)	(165,832)	(7.9)	
Impairment losses on financial assets, net	(7,407)	(0.1)	804	0.0	1,453	0.0	124	0.0	
Other expenses	(172)	(0.0)	(1,555)	(0.0)	(1,281)	0.0	(122)	0.0	
Finance costs	(1,555)	(0.0)	(3,256)	(0.1)	(1,983)	(0.0)	(3,392)	(0.2)	
Share of loss of an associate	–	–	–	–	–	–	(2,896)	(0.1)	
Profit/(Loss) before tax	314,744	5.6	197,924	3.7	193,249	4.5	(105,158)	(4.9)	
Income tax credit/(expenses)	13,490	0.2	(792)	(0.0)	(15,075)	(0.3)	57,991	2.7	
Profit/(Loss) for the year/period	<u>328,234</u>	<u>5.8</u>	<u>197,132</u>	<u>3.7</u>	<u>178,174</u>	<u>4.2</u>	<u>(47,167)</u>	<u>(2.2)</u>	

## SUMMARY

### Revenue

#### *Revenue by Publishing Model*

During the Track Record Period, our mobile games were primarily offered on a free-to-play basis and we generated revenues primarily from the sales of in-game virtual items. Our games were published either by ourselves on our official website and through third-party distribution channels, or by third-party publishers who co-published our games by utilizing their resources at local mobile game markets. We generally recognize our revenue on the gross billings paid by players. To a much lesser extent, we recognize revenue on a net basis when we act as agent in publishing certain games. The following table sets forth a breakdown of our revenue by publishing model for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
<b>Revenue</b>								
Self-publishing model	1,679,754	29.6	1,185,807	22.3	926,416	21.7	715,108	34.1
Third-party publishing model	<u>3,995,328</u>	<u>70.4</u>	<u>4,141,296</u>	<u>77.7</u>	<u>3,334,965</u>	<u>78.3</u>	<u>1,379,399</u>	<u>65.9</u>
<b>Total</b>	<u><b>5,675,082</b></u>	<u><b>100.0</b></u>	<u><b>5,327,103</b></u>	<u><b>100.0</b></u>	<u><b>4,261,381</b></u>	<u><b>100.0</b></u>	<u><b>2,094,507</b></u>	<u><b>100.0</b></u>

#### *Revenue by Game Source*

During the Track Record Period, we generated revenue from our operation of both self-developed games and licensed games.

We generally consider ourselves as principal in arrangements of self-developed game operation and recognize revenue on a gross basis. In certain cases, we license out our self-developed games to certain third-party publishers, where we consider our ourselves as agent and recognize revenue on a net basis. We receive licensing fees representing a share of the gross billings of the licensed game as well as non-refundable fixed payments from such third-party publishers. For more information, see “Financial Information — Significant Accounting Policies and Significant Accounting Judgments and Estimates — Significant Accounting Policies — Revenue Recognition” in this document.

## SUMMARY

With respect to arrangements of licensed game operation, we may consider ourselves either as principal or agent. In cases where we take primary responsibilities of game operation, including determining distribution channels and payment channels, providing customer services, determining the operating game servers and controlling game and service specifications and pricing, we regard ourselves as principal and recognize revenue on a gross basis; while in cases where a third-party game developer takes primary responsibilities of game operation, and is responsible for (i) providing the games, and having the right to authorize us to provide game operation services; (ii) the development, upgrade, update and maintenance of the game; (iii) independently setting the prices of in-game virtual items; and (iv) hosting and maintaining the game server, we regard ourselves as agent, and recognize revenue on a net basis.

The following table sets forth a breakdown of our revenue by game source for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-developed games <sup>(1)</sup>	2,799,007	49.3	2,949,015	55.4	2,272,937	53.3	1,560,938	74.5
Licensed game <sup>(2)</sup>	2,876,075	50.7	2,378,088	44.6	1,988,444	46.7	533,569	25.5
<b>Total</b>	<b><u>5,675,082</u></b>	<b><u>100.0</u></b>	<b><u>5,327,103</u></b>	<b><u>100.0</u></b>	<b><u>4,261,381</u></b>	<b><u>100.0</u></b>	<b><u>2,094,507</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Including revenue generated from our licensing of self-developed games to third-party publishers. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our revenue generated from our licensing of self-developed games to third party publishers amounted to RMB46.2 million, RMB25.0 million, RMB20.6 million and RMB9.8 million, respectively, accounting for 0.8%, 0.5%, 0.5% and 0.5% of the total revenue in the respective years/periods.
- (2) Revenue generated from licensed games was mainly from Nine Realms: Sword & Immortals (九州仙劍傳) during the Track Record Period.

## SUMMARY

### Revenue by Games

During the Track Record Period, we generated our revenue primarily from six landmark games, including five self-developed and one licensed mobile games. The following table sets forth a breakdown of our revenue by games for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,				
	2022		2023		2023		2024		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
						(unaudited)	(unaudited)		
<b>Landmark Games</b>									
<i>Nine Realms: Sword &amp; Immortals (九州仙劍傳) – licensed</i>									
	2,846,502	50.1	2,303,441	43.3	1,927,956	45.2	527,209	25.2	
<i>Sword Fantasy (天劍奇緣) – self-developed</i>									
	2,200,619	38.8	2,514,386	47.2	1,975,610	46.5	943,599	45.0	
<i>Demon Hunter (黎明召喚) – self-developed</i>									
	84,494	1.5	59,979	1.1	34,682	0.8	25,980	1.2	
<i>Mysterious World: Awaking (異界深淵·覺醒) – self-developed</i>									
	258,868	4.6	124,800	2.4	109,886	2.6	30,383	1.5	
<i>Mysterious World: Spirit King (異界深淵·大靈王) – self-developed</i>									
	–	–	86,207	1.6	25,900	0.6	361,373	17.3	
<i>Sword Path of the Mountain and Sea (山海劍途) – self-developed</i>									
	–	–	22,917	0.4	6,365	0.1	136,374	6.5	
<b>Other Games</b>	<u>284,599</u>	<u>5.0</u>	<u>215,373</u>	<u>4.0</u>	<u>180,982</u>	<u>4.2</u>	<u>69,589</u>	<u>3.3</u>	
<b>Total</b>	<u><b>5,675,082</b></u>	<u><b>100.0</b></u>	<u><b>5,327,103</b></u>	<u><b>100.0</b></u>	<u><b>4,261,381</b></u>	<u><b>100.0</b></u>	<u><b>2,094,507</b></u>	<u><b>100.0</b></u>	

Note:

\* During the Track Record Period, revenue generated from each game included revenue generated from their respective public testing stage (where applicable), which were immaterial.

## SUMMARY

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales. The following table sets forth our gross profit and gross profit margin by game publishing models for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-publishing model	1,408,197	83.8	1,023,139	86.3	784,791	84.7	573,765	80.2
Third-party publishing model	328,464	8.2	375,958	9.1	272,429	8.2	127,053	9.2
<b>Total</b>	<b><u>1,736,661</u></b>	<b><u>30.6</u></b>	<b><u>1,399,097</u></b>	<b><u>26.3</u></b>	<b><u>1,057,220</u></b>	<b><u>24.8</u></b>	<b><u>700,818</u></b>	<b><u>33.5</u></b>

The following table sets forth our gross profit and gross profit margin by game source for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-developed games	1,553,907	55.5	1,190,338	40.4	889,570	39.1	652,084	41.8
Licensed games	182,754	6.4	208,759	8.8	167,650	8.4	48,734	9.1
<b>Total</b>	<b><u>1,736,661</u></b>	<b><u>30.6</u></b>	<b><u>1,399,097</u></b>	<b><u>26.3</u></b>	<b><u>1,057,220</u></b>	<b><u>24.8</u></b>	<b><u>700,818</u></b>	<b><u>33.5</u></b>



## SUMMARY

The following table sets forth our gross profit and gross profit margin by games for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
<b>Landmark Games</b>								
<i>Nine Realms: Sword &amp; Immortals (九州仙劍傳) – licensed</i>								
	155,003	5.4	135,087	5.9	107,983	5.6	42,472	8.1
<i>Sword Fantasy (天劍奇緣) – self-developed</i>								
	1,208,575	54.9	911,630	36.3	720,802	36.5	178,668	18.9
<i>Demon Hunter (黎明召喚) – self-developed</i>								
	80,200	94.9	51,844	86.4	30,155	86.9	20,897	80.4
<i>Mysterious World: Awaking (異界深淵:覺醒) – self-developed</i>								
	213,070	82.3	104,259	83.5	92,250	84.0	22,309	73.4
<i>Mysterious World: Spirit King (異界深淵:大靈王) – self-developed</i>								
	–	–	75,197	87.2	20,957	80.9	288,118	79.7
<i>Sword Path of the Mountain and Sea (山海劍途) – self-developed</i>								
	–	–	18,161	79.2	4,735	74.4	111,713	81.9

## SUMMARY

### Summary of Consolidated Statements of Financial Position

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

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Total non-current assets</b>	150,395	188,854	247,372
<b>Total current assets</b>	762,031	659,045	412,364
<b>Total current liabilities</b>	701,771	582,057	461,486
<b>Net current assets/(liabilities)</b>	60,260	76,988	(49,122)
<b>Total non-current liabilities</b>	39,832	46,964	26,660
<b>Net assets</b>	170,823	218,878	171,590
<b>Total equity</b>	170,823	218,878	171,590

We recorded net assets as of December 31, 2022 and 2023 and September 30, 2024. Our net assets increased from RMB170.8 million as of December 31, 2022 to RMB218.9 million as of December 31, 2023, primarily as we recorded total comprehensive income for the year of RMB198.1 million in 2023, which was offset by the dividend declared by subsidiaries to the then equity holders of RMB150.0 million. As of September 30, 2024, our net assets amounted to RMB171.6 million, primarily as we recorded total comprehensive loss for the period of RMB47.3 million for the nine months ended September 30, 2024. For further details on the equity movement of our Group, see “Consolidated Statements of Changes in Equity” of the Accountants’ Report set out in Appendix IA and “Interim Condensed Consolidated Statement of Changes in Equity” of Unaudited Interim Condensed Consolidated Financial Information set out in Appendix IB to this document.

Our Directors believe that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document, taking into account the financial resources available to us, including internally generated funds, the [REDACTED] from the [REDACTED] and the available banking and other facilities.

## SUMMARY

### Summary of Consolidated Statements of Cash Flows

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

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash generated from operations before movements in working capital	332,714	216,132	205,224	(89,745)
Changes in working capital	<u>2,536</u>	<u>(126,609)</u>	<u>(103,069)</u>	<u>32,908</u>
Cash generated from operations	335,250	89,523	102,155	(56,837)
Interest received	717	3,430	2,280	2,729
Income tax paid	<u>(32)</u>	<u>(15,833)</u>	<u>(10,977)</u>	<u>(4,360)</u>
Net cash flows from/(used in) operating activities	335,935	77,120	93,458	(58,468)
Net cash flows used in investing activities	(36,467)	(1,412)	(51,386)	(24,668)
Net cash flows used in financing activities	<u>(55,189)</u>	<u>(148,843)</u>	<u>(108,489)</u>	<u>(59,627)</u>
Net increase/(decrease) in cash and cash equivalents	244,279	(73,135)	(66,417)	(142,763)
Cash and cash equivalents at beginning of year/period	29,039	275,666	275,666	201,908
Effect of foreign exchange rate changes, net	<u>2,348</u>	<u>(623)</u>	<u>(513)</u>	<u>273</u>
<b>Cash and cash equivalents at end of year/period</b>	<b><u>275,666</u></b>	<b><u>201,908</u></b>	<b><u>208,736</u></b>	<b><u>59,418</u></b>

For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows” in this document.

## SUMMARY

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates and for the years/period indicated.

	As of/Year Ended December 31,		As of/ For the Nine Months Ended September 30,
	2022	2023	2024
Gross profit margin <sup>(1)</sup>	30.6%	26.3%	33.5%
Current ratio <sup>(2)</sup>	1.1	1.1	0.9
Return on equity <sup>(3)</sup>	401.0%	101.2%	N/A <sup>(5)</sup>
Return on total assets <sup>(4)</sup>	53.9%	22.4%	N/A <sup>(5)</sup>

*Notes:*

- (1) Gross profit margin equals to gross profit for the year/period divided by revenue for the year/period, multiplied by 100%.
- (2) Current ratio equals to current assets divided by current liabilities as of the same date.
- (3) Return on equity was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (4) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Return on equity and return on total assets are calculated on a full year basis.

For details, see “Financial Information — Results of Operations” and “Financial Information — Key Financial Ratios” in this document.

### OUR MAJOR CLIENTS AND MAJOR SUPPLIERS

During the Track Record Period, our clients primarily consisted of game developers, game publishers and game players. We review our clients on a regular basis. In 2022, 2023, and nine months ended September 30, 2024, (i) our five largest clients contributed to approximately 0.8%, 0.6% and 0.5% of our total revenue, respectively; and (ii) our largest client contributed to 0.7%, 0.2%, and 0.2% of our total revenue, respectively. For details, see “Business — Our Clients And Suppliers — Our Clients” in this document.

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## SUMMARY

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During the Track Record Period, our suppliers primarily consisted of third-party game publishers and advertising and marketing agencies. In 2022, 2023, and nine months ended September 30, 2024, (i) our five largest suppliers contributed to approximately 47.4%, 43.3% and 47.8% of our total purchases (“**total purchase**” is defined as purchases from third-party developers, third-party game publishers, advertising and marketing agencies and third-party distribution channels as recognized in the cost of sales and selling and distribution expenses in this document), respectively; and (ii) our largest supplier contributed to 14.1%, 12.3% and 16.7% of our total purchases, respectively. We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage of or delay in supply. For details, see “Business — Our Clients And Suppliers — Our Suppliers” in this document.

### COMPETITIVE LANDSCAPE

According to Analysys, we ranked sixth among all mobile game companies in China with integrated development, publishing and operation capabilities in terms of customer spending in China in 2023, accounting for approximately 1.8% of the total market. We ranked third among all mobile game companies in China in terms of customer spending from RPG games in 2023, accounting for approximately 6.0% of the total market. We ranked second among all mobile game companies in China in terms of customer spending in Chinese ancient cultural RPGs in 2023, accounting for approximately 13.0% of the total market. We ranked first among all mobile game companies in China in terms of customer spending of instant games in 2023, accounting for approximately 14.8% of the total market. For details, see “Industry Overview — Competitive Landscape of China’s Mobile Game Industry” in this document.

### LEGAL PROCEEDINGS AND COMPLIANCE

As a mobile game developer, publisher and operator in the PRC, during the Track Record Period and up to the Latest Practicable Date, we were subject to legal, arbitration or administrative proceedings arising out of the ordinary course of our business from time to time, primarily including disputes regarding service contracts, trademarks, and computer software copyrights. However, our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings; and we were not aware of any material litigation, arbitration or administrative proceedings pending or threatened which would materially and adversely affect our business. Our Directors were not involved in any actual or threatened material claims or litigation. For details of the relevant risks, see “Risk Factors — Risks Relating to Our Business, Industry, Financial Prospects And General Operations — We may become a party to legal or administrative proceedings or regulatory inquiries, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operations and cash flows” in this document.

## SUMMARY

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During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any systematic non-compliance incidents.

### SUMMARY OF MATERIAL RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors” in this document. These risks can be broadly categorized into: (i) risks relating to our business, industry, financial prospects and general operations; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to government regulations; and (iv) risks relating to the [REDACTED]. You should read that section in its entirety carefully before you decide to [REDACTED] in our Shares. Some of the major risks we face include the following:

- We operate in a rapidly evolving and developing industry, which makes it difficult to evaluate our future prospects.
- We generated a significant portion of our revenue from a small number of games during the Track Record Period.
- Our success and revenue growth depends on our ability to attract new players and retain our existing players.
- The markets in which we operate are highly competitive. If we are unable to compete effectively against our competitors, our game player base, market share and profitability may be materially and adversely affected.
- A substantial majority of our revenue is derived from sales of in-game virtual items, and failure to monetize effectively through this virtual item-based revenue model may adversely affect our business.
- Failure to maintain the success and extend the lifecycle of our games and competition from other games of the same genre with similar content may materially and adversely affect our business and results of operations.
- If we fail to keep up with technological developments or anticipate or successfully adapt our games to new trends, our business prospects and results of operations could be materially and adversely affected.

## SUMMARY

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### RECENT DEVELOPMENTS

Our business model remains unchanged subsequent to the Track Record Period and we continue to expand our game portfolio and reach wider player pool after the Track Record Period.

### No Material Adverse Change

Our Directors confirm that up to the date of this document, there had been no material adverse change in our financial, operational or prospects since September 30, 2024, being the latest balance sheet date of our consolidated financial statements as set out in the Unaudited Interim Condensed Consolidated Financial Information set out in Appendix IB to this document, and there is no event since September 30, 2024 that would materially affect the information as set out in the Accountants’ Report included in Appendix IA and Unaudited Interim Condensed Consolidated Financial Information included in Appendix IB to this document.

### DIVIDENDS

Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. Any declaration and payment of dividends will be subject to our Articles and the Cayman Companies Act. We will review our dividend policy from time to time. Our Board may declare dividends in the future after taking into account factors, including results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time.

Pursuant to the resolutions of the shareholders’ meetings on April 29, 2022 and November 3, 2022, Chengdu Uni-Star Interactive, one of our subsidiaries, declared dividends of RMB40.0 million and RMB112.4 million to its then equity holders, respectively. We have settled RMB146.9 million for such dividends, of which RMB146.8 million was paid in cash and RMB175.0 thousand was offset against an amount due from a then equity holder as of September 30, 2024.

Pursuant to the resolution of the shareholders’ meeting on July 4, 2023, Chengdu Uni-Star Interactive declared a dividend of RMB150.0 million to its then equity holders and RMB120.2 million has been settled as of September 30, 2024. We expect to settle the remaining payment by cash using our internal resources.

We believe that the distribution of the dividends will not have a material impact on the sufficiency of our working capital after the [REDACTED] and we will be able to maintain sufficient funds to meet our working capital requirements and debt obligations. Our historical declarations of dividends may not reflect our future declarations of dividends.

## SUMMARY

[REDACTED]

[REDACTED] in relation to the [REDACTED] are estimated to be approximately RMB[REDACTED] (including [REDACTED]), at the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED]), and assuming the [REDACTED] is not exercised, which comprise: (i) [REDACTED] related expenses of RMB[REDACTED]; and (ii) non-[REDACTED] related expenses of RMB[REDACTED], which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[REDACTED]; and (b) other fees and expenses of RMB[REDACTED]. As of September 30, 2024, we incurred a total of RMB[REDACTED] in [REDACTED], among which RMB[REDACTED] were recognized in our consolidated statement of comprehensive income, and RMB[REDACTED] were recognized in the consolidated statement of financial position to be accounted for as a deduction from equity upon [REDACTED].

We estimate that additional [REDACTED] of approximately RMB[REDACTED] (including [REDACTED] of approximately RMB[REDACTED], assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED])) will be incurred by our Company, approximately RMB[REDACTED] of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] of which is attributable to the issue of shares and will be deducted from equity upon [REDACTED]. Our [REDACTED] as a percentage of gross [REDACTED] is [REDACTED]%, at an [REDACTED] of HK\$[REDACTED] per Share, and assuming the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### [REDACTED] STATISTICS

	Based on the [REDACTED] of HK\$[REDACTED] per Share	Based on the [REDACTED] of HK\$[REDACTED] per Share
[REDACTED] of our Shares ( <i>in thousand</i> )	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share	HK\$[REDACTED]	HK\$[REDACTED]

*Notes:*

- (1) All statistics in this table are on the assumption that the [REDACTED] are not exercised.
- (2) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED].
- (3) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in “Financial Information — Unaudited [REDACTED] Statement of Adjusted Consolidated Net Tangible Assets”.
- (4) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to September 30, 2024.



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## SUMMARY

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[REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming the [REDACTED] being not exercised and an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] stated in this document. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the high end of the indicative [REDACTED], the net [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the low end of the indicative [REDACTED], the net [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED]. Assuming an [REDACTED] at the mid-point of the [REDACTED], we currently intend to apply these net [REDACTED] for the following purposes:

- [REDACTED]%, or approximately HK\$[REDACTED], will be used to strengthen our R&D capabilities and diversify our game portfolio as well as broaden our product range to capture new market opportunities;
- [REDACTED]%, or approximately HK\$[REDACTED], will be used to strengthen our game publishing and operation capabilities, enhance our marketing efficiency, and expand our player base in China;
- [REDACTED]%, or approximately HK\$[REDACTED], will be used to strengthen our AI and IT infrastructure and technology innovation;
- [REDACTED]%, or approximately HK\$[REDACTED], will be used to support our overall strategy of expanding into overseas markets and developing our overseas operation;
- [REDACTED]%, or approximately HK\$[REDACTED], will be used to pursue strategic alliances and acquisitions of upstream and downstream participants in the value chain of the mobile game industry; and
- [REDACTED]%, or approximately HK\$[REDACTED], will be used for our general working capital and general corporate purposes.

## DEFINITIONS

*In this document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below.*

“ <b>Accountants’ Report</b> ”	the audited consolidated financial statements of our Company for the Track Record Period, as set out in Appendix IA to this document
“ <b>affiliate(s)</b> ”	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
“ <b>AFRC</b> ”	the Accounting and Financial Reporting Council of Hong Kong (formerly known as the Financial Reporting Council of Hong Kong)
“ <b>Analysys</b> ” or “ <b>Industry Consultant</b> ”	Analysys Limited, our industry consultant
“ <b>Analysys Report</b> ”	the industry report commissioned by our Company and independently prepared by Analysys, a summary of which is set forth in the section headed “Industry Overview” in this document
“ <b>Articles</b> ” or “ <b>Articles of Association</b> ”	the articles of association of our Company conditionally adopted on [●] with effect from the [REDACTED]
“ <b>associate(s)</b> ”	has the meaning ascribed thereto under the Listing Rules
“ <b>Board</b> ”	the board of Directors
“ <b>business day</b> ”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“ <b>BVI</b> ”	British Virgin Islands
“ <b>CAC</b> ”	the Cyberspace Administration of the PRC (中華人民共和國國家互聯網信息辦公室)

[REDACTED]

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## DEFINITIONS

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“**Cayman Companies Act**” the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time

[REDACTED]

“**Chengdu Beiyu**” Chengdu Beiyu Network Technology Co., Ltd. (成都倍譽網絡科技有限公司), a company established under the laws of the PRC on June 4, 2020 and one of the Registered Shareholders

“**Chengdu High-Tech VC**” Chengdu High-Tech New Economy Venture Capital Co., Ltd. (成都高新新經濟創業投資有限公司), a company established under the laws of the PRC on October 15, 2018, our Pre-[REDACTED] Investor and one of the Registered Shareholders

“**Chengdu Liangyan**” Chengdu Liangyan Enterprise Management Center (Limited Partnership) (成都亮研企業管理中心(有限合夥)), a limited partnership established under the laws of the PRC on June 4, 2020 and one of the Registered Shareholders

“**Chengdu Uni-Star Interactive**” Chengdu Uni-Star Interactive Network Technology Co., Ltd. (成都星邦互娛網絡科技有限公司) (formerly known as Chengdu 9130 Network Technology Co., Ltd. (成都玖壹叁零網絡科技有限公司) and Chengdu Shunqian Technology Co., Ltd. (成都順乾科技有限公司)), a company established under the laws of the PRC on October 14, 2014 and a wholly-owned subsidiary of our Company by virtue of the Contractual Arrangements

“**Chengdu Yicai**” Chengdu Yicai Enterprise Management Center (Limited Partnership) (成都繹彩企業管理中心(有限合夥)), a limited partnership established under the laws of the PRC on June 4, 2020 and one of the Registered Shareholders

“**China**”, “**Mainland China**” or “**the PRC**” the People’s Republic of China for the purpose of this document and for geographical reference only, except where the context requires, references in this document to “China”, “Mainland China” and the “PRC” do not apply to Hong Kong SAR, Macau Special Administrative Region and Taiwan Region

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## DEFINITIONS

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“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” “we”, “us” or “our”	Uni-Star Interactive Holding Limited, a company with limited liability incorporated in the Cayman Islands on November 24, 2022
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Affiliated Entity(ies)”	entity(ies) we control wholly or partly through the Contractual Arrangements, namely Chengdu Uni-Star Interactive and its subsidiaries
“Contractual Arrangement(s)”	the series of contractual arrangements entered into between, among others, Guangzhou Uni-Star Interactive, Chengdu Uni-Star Interactive and the Registered Shareholders, as detailed in the section headed “Contractual Arrangements” in this document, and as amended, restated, renewed, reproduced or joined from time to time
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Guo, Ms. Guo, Great Guo HL, Great Guo FHL, Springberg FHL, Sincebloom FHL, Orchid Lan HL and Orchid Lan FHL, further details of which are set out in the section headed “Relationship with Our Controlling Shareholders” in this document
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Data Compliance Adviser”	CM Law Firm, our legal adviser as to PRC cybersecurity and data privacy protection laws

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## DEFINITIONS

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[REDACTED]

“Director(s)”	the director(s) of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[REDACTED]

“Great Guo Family Trust”	a discretionary family trust established by Mr. Guo as the settlor and one of the beneficiaries
“Great Guo FHL”	Great Guo Family Holdings Limited, a company incorporated in the BVI with limited liability on November 22, 2022 and one of our Controlling Shareholders
“Great Guo HL”	Great Guo Holdings Limited, a company incorporated in the BVI with limited liability on November 21, 2022 and one of our Controlling Shareholders
“Group”, “our Group”, “our”, “we”, or “us”	our Company, our subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guangzhou Uni-Star Interactive” or “WFOE”	Guangzhou Uni-Star Interactive Network Co., Ltd. (廣州星邦互娛網絡有限公司), a company established under the laws of the PRC on September 11, 2017 and a wholly-owned subsidiary of our Company
“Guide”	the Guide for New Listing Applicants as published by the Stock Exchange, as amended or supplemented or otherwise modified from time to time

## DEFINITIONS

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**“HK” or “Hong Kong”** the Hong Kong Special Administrative Region of the People’s Republic of China

[REDACTED]

**“Hong Kong dollars” or “HK\$”** Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[REDACTED]

## DEFINITIONS

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[REDACTED]

**“Hong Kong Stock Exchange”**      The Stock Exchange of Hong Kong Limited  
or **“Stock Exchange”**

[REDACTED]

**“IFRS”**      International Financial Reporting Standards, as issued by  
the International Accounting Standards Board

**“Independent Third Party(ies)”**      any person(s) or entity(ies) who/which is not a connected  
person of our Company within the meaning of the Listing  
Rules

[REDACTED]

## DEFINITIONS

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[REDACTED]

**“Latest Practicable Date”** February 18, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

**“LEI”** legal entity identifier, a 20-character alpha-numeric code under the Global LEI System adopted by the Financial Stability Board to uniquely identify distinct legal entities which participate in financial transactions

[REDACTED]

**“Listing Committee”** the Listing Committee of the Stock Exchange

[REDACTED]

**“Listing Rules” or “Hong Kong 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



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## DEFINITIONS

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“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on [●], with effect from the [REDACTED]
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Guo”	Mr. Guo Zhongjian (郭中健), one of our Controlling Shareholders
“Ms. Guo”	Ms. Guo Xiaolan (郭小蘭), our executive Director, chairperson of our Board, chief executive officer and one of our Controlling Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

[REDACTED]

“Orchid Lan Family Trust”	a discretionary family trust established by Ms. Guo as the settlor and one of the beneficiaries
“Orchid Lan FHL”	Orchid Lan Family Holdings Limited, a company incorporated in the BVI with limited liability on November 22, 2022 and one of our Controlling Shareholders

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## DEFINITIONS

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**“Orchid Lan HL”** Orchid Lan Holdings Limited, a company incorporated in the BVI with limited liability on November 21, 2022 and one of our Controlling Shareholders

[REDACTED]

**“Overseas Listing Trial Measures”** the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023

**“PBOC”** the People’s Bank of China (中國人民銀行), the central bank of the PRC

**“PRC Legal Advisers”** Qiyuan Law Firm and CM Law Firm, our legal advisers as to PRC law (in Chinese name alphabetical order)

**“Preferred Share(s)”** the 47,510,000 series A convertible redeemable preferred share(s) in the share capital of our Company with a par value of US\$0.00001 each, which are held by the Pre-[REDACTED] Investor as of the date of this document

**“Pre-[REDACTED] Investment”** the investment in our Company undertaken by the Pre-[REDACTED] Investor pursuant to the equity transfer agreement(s) and/or capital increase agreement(s), further details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this document

**“Pre-[REDACTED] Investor”** the investor of the Pre-[REDACTED] Investment, further details of which are set out in the paragraph headed “History, Reorganization and Corporate Structure — Information about the Pre-[REDACTED] Investor” in this document

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## DEFINITIONS

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[REDACTED]

<b>“Registered Shareholders”</b>	the registered shareholders of Chengdu Uni-Star Interactive from time to time, further details of which are set out in the section headed “Contractual Arrangements” in this document
<b>“Regulation S”</b>	Regulation S under the U.S. Securities Act
<b>“Relevant Businesses”</b>	has the meaning ascribed thereto in the section headed “Contractual Arrangements” in this document
<b>“Reorganization”</b>	the corporate restructuring of our Group in preparation for the [REDACTED], further details of which are set out in the paragraph headed “History, Reorganization and Corporate Structure — Reorganization” in this document
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of the PRC
<b>“Rule 144A”</b>	Rule 144A under the U.S. Securities Act
<b>“SAFE”</b>	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
<b>“SAMR”</b>	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)
<b>“Securities and Futures Commission” or “SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO” or “Securities and Futures Ordinance”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Share(s)”</b>	ordinary share(s) in the capital of our Company with a par value of US\$0.00001 each

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## DEFINITIONS

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“ <b>Sincebloom FHL</b> ”	Sincebloom Family Holdings Limited, a company incorporated in the BVI with limited liability on February 1, 2023 and one of our Controlling Shareholders
“ <b>Sincebloom Family Trust</b> ”	a discretionary trust established by Mr. Guo as the settlor and one of the beneficiaries
“ <b>Shanghai Qianwanlang</b> ”	Shanghai Qianwanlang Network Technology Co., Ltd. (上海千灣浪網絡科技有限公司), a limited company established under the laws of the PRC on November 28, 2023 and is a wholly-owned subsidiary of our Company
“ <b>Shanghai Xuangan</b> ”	Shanghai Xuangan Network Technology Co., Ltd. (上海炫感網絡科技有限公司), a limited company established under the laws of the PRC on January 16, 2022 and is a wholly-owned subsidiary of our Company
“ <b>Shareholder(s)</b> ”	holder(s) of the Share(s)

[REDACTED]

“ <b>Sole Sponsor</b> ”	China International Capital Corporation Hong Kong Securities Limited
“ <b>Springberg FHL</b> ”	Springberg Family Holdings Limited, a company incorporated in the BVI with limited liability on November 22, 2022 and one of our Controlling Shareholders
“ <b>Springberg Family Trust</b> ”	a discretionary trust established by Mr. Guo as the settlor and one of the beneficiaries

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## DEFINITIONS

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“**STA**” the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

[REDACTED]

“**State Council**” the State Council of the PRC (中華人民共和國國務院)

[REDACTED]

“**subsidiary(ies)**” has the meaning ascribed thereto under the Listing Rules, and shall also include our Consolidated Affiliated Entities unless the context requires otherwise

“**substantial shareholder(s)**” has the meaning ascribed thereto under the Listing Rules

“**Takeovers Code**” the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time

“**Track Record Period**” the two financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024

[REDACTED]

“**United States**”, “**U.S.**” or “**US**” the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

“**U.S. dollars**”, “**US\$**” or “**USD**” United States dollars, the lawful currency of the United States

“**U.S. Securities Act**” the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

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## DEFINITIONS

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[REDACTED]

“ <b>Zhongrong Huatai</b> ”	Chengdu Zhongrong Huatai Network Technology Co., Ltd. (中戎華泰網絡科技有限公司), a limited liability company incorporated in the PRC on May 8, 2014 and an associate of our Group from January 2024, details of which are set out in “Financial Information” in this document
“%”	per cent

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiaries and Consolidated Affiliated Entities) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

## GLOSSARY OF TECHNICAL TERMS

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

“ <b>active users</b> ”	in any given period, (i) active users of a particular game refer to all registered players of such game that have entered the game at least once in such period; and (ii) active users of a particular type or all of our games refer to the simple sum of the active users of each game of such type or all of our games, as applicable, in such period and a registered player that entered two or more games in such period is counted as two or more active users in such period
“ <b>ACG</b> ”	a subculture of Greater China particularly referring to Japanese anime, comics and games, or the fictional world or characters created in such work
“ <b>AGBPPU</b> ”	average gross billings per month per paying user, which represents the gross billings generated for a particular game or all of our games, as applicable, in the period divided by the number of paying users of the game or all of our games, as applicable, in such period
“ <b>AI</b> ”	artificial intelligence
“ <b>Alipay</b> ”	a third-party mobile and online payment platform
“ <b>Android</b> ”	a mobile operating system developed and maintained by Google Inc. used in touchscreen technology including smartphones and tablets
“ <b>ARPG</b> ”	action role-playing game, which incorporates elements of action or action-adventure games and normally has real-time combat system rather than turn-based or menu-based combat system
“ <b>average MAUs</b> ”	calculated by dividing (i) the total MAUs of a game, or (ii) the aggregate of the total MAUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MAUs included each game’s data before its official launch

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## GLOSSARY OF TECHNICAL TERMS

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“average MPUs”	calculated by dividing (i) the MPUs of a game, or (ii) the aggregate of the total MPUs of all of our games, as applicable, for a specified period by the number of months of that period. Our calculations of average MPUs included each game’s data before its official launch
“CAGR”	compound annual growth rate
“card game”	a genre of games that are played using specially designed sets of playing cards that combine the appeal of collecting with strategic gameplay
“casual games”	a genre of games that is typically designed with relatively simple but attractive gameplay in minimalistic style, such as cartoon, played by users for recreational purposes, and generally has shorter gaming time per play compared to other mobile game genres
“click-through rate” or “CTR”	the number of clicks that an advertisement receives divided by the number of times the advertisement is shown
“conversion rate” or “CVR”	the percentage of visitors to the advertisement that become game users out of the total number of visitors
“cumulative registered players”	the cumulative number of accounts, which is calculated with reference to the number of accounts registered with our games as of a specified date. It may not represent the exact number of our cumulative registered players in any and all of our games as a player may have registered multiple player accounts with any of our games
“Dark Ages”	900 years of European history between the 5th and 14th centuries
“DAU”	daily active users in any given period, refers to an existing registered player that has entered and played any of the mobile games on any device at least once during such period; repeated entries by the same player from the same device are counted once only



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## GLOSSARY OF TECHNICAL TERMS

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“free-to-play”	a business model used in the online game industry, under which players can play games for free, but may need to watch in-game advertisements and pay for virtual items sold in games to enhance their gameplay experience
“generative artificial intelligence” or “generative AI”	artificial intelligence capable of generating text, images, or other media in response to prompts
“Google Play”	a digital distribution platform operated and developed by Google Inc. It serves as both the official app store for the Android operating system, and a digital media store offering music, books, movies, and television programs
“gross billings”	total amount paid by players for in-game purchases during a specified period
“HTML5”	HTML5 technologies encompass a range of features and capabilities that allow for more dynamic and interactive web content. They enable developers to create rich, engaging web applications that work across multiple platforms and devices, while also improving accessibility and performance
“idle game(s)”	a type of casual games, primarily featured by game players being able to play the games for any interval of time to experience the core part of the games, while the games automatically continuing until the players’ next login and progressing the players’ profiles in the games
“instant game(s)”	mobile games that are developed based on HTML5, and other similar technologies, and are designed to be embedded in mini-programs of online platforms like WeChat, Douyin, Alipay and others
“iOS App Store”	a digital distribution platform operated and developed by Apple Inc., which is the official app store for the iOS operating system
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple devices, such as iPhones, iPods and iPads
“IP(s)”	intellectual property(ies)
“KOL(s)”	key opinion leader, a person whose opinions in a certain field are respected and influential to the public

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## GLOSSARY OF TECHNICAL TERMS

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“ <b>lifecycle</b> ”	the market life of a game, starting from the initial launch and ending on the irreversible and drastic decline of active users and revenue generated
“ <b>lifetime value</b> ”	an estimate of the average revenue a customer will generate over the time that he or she plays a game
“ <b>MAU(s)</b> ”	monthly active users, which represents the number of active users during a specified calendar month
“ <b>MMORPG</b> ”	massively multiplayer online role-playing game, a video game that combines aspects of a role-playing video game and a massively multiplayer online game. The MMORPG game allows a number of players to interact together, and the game’s persistent world continues to exist and evolve while the player is offline and away from the game
“ <b>MOBA</b> ”	multiplayer online battle arena, a genre of games in which each player controls a single character, usually from an isometric perspective on an equidistant map, as part of a team competing against another team of players, with the ultimate goal to destroy the opposing team’s main structure
“ <b>mobile games</b> ”	a game that is downloaded and played on mobile devices
“ <b>MPU(s)</b> ”	monthly paying users, which refers to the number of paying users in the relevant calendar months
“ <b>official launch date</b> ”	the date when the board of the Company determines to launch the game based on the operating performance of the game during the testing period
“ <b>paying user(s)</b> ”	in any given period, (i) paying users of a particular game refer to all registered players who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual item was used by the registered players in that period; and (ii) paying users of a particular type or all of our games refer to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying user that purchased virtual items in two or more games in such period is counted as two or more paying users in that period
“ <b>prompts</b> ”	the inputs or queries that a user or a program gives to an artificial intelligence, in order to elicit a specific response from the model

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## GLOSSARY OF TECHNICAL TERMS

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“QR code”	a machine-readable code consisting of an array of black and white squares, typically used for storing URLs or other information for reading by the camera on a smartphone
“registered player(s)”	as of a particular date, registered players of a particular game refer to the number of registered accounts of players who played such game for the first time as of such date; registered players of all of our games refer to the aggregate of the registered players of all of our games as of a specified date; a player account that has been used to enter two or more games is counted as two or more registered players
“RPG”	role-playing games, a genre of games in which a player who assumes the role of a character interacts with other players in an evolving fantasy or fictional world and takes control over character’s actions
“R&D”	research and development
“server”	a computer system that provides services to other computing systems over a computer network
“SLG”	games in which the player is required to make strategic decisions and employ tactical skills to achieve certain objectives. Strategy-based games can be turn-based or real-time and can cover a wide range of settings, such as historical battles or futuristic science fiction settings
“SIM”	games that simulate real-world activities, situations, or experiences. Simulation games can cover a wide range of topics, including vehicle simulation games, life simulation, and city-building simulations
“virtual items”	tokens, items, avatars, skills, privileges or other in-game consumables, features or functionalities we offer to players to help them extend their play, enhance or personalize their game environments and accelerate their progress in our games

## GLOSSARY OF TECHNICAL TERMS

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“WeChat mini program”	a sub-application built within WeChat platform, which can be used on WeChat without the need to be downloaded or installed
“WeChat Pay”	a third-party mobile payment platform

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## FORWARD-LOOKING STATEMENTS

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This document contains certain forward-looking statements relating to our plans, objectives, beliefs, expectations, predictions and intentions, which are not historical facts and may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks, uncertainties and other factors facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- changes in domestic market and business conditions as well as industry trends related to our operations;
- changes in our customers' demands and our business performance;
- changes in the competitive landscape of our industries;
- introduction and implementation of new or different laws in the areas we operate in;
- our ability to obtain adequate capital resources to fund future expansion plans;
- our ability to successfully implement our business plans, strategies, objectives and goals;
- our ability to protect our technologies, knowhow, patents, brand, trademarks or other intellectual property rights;
- developments in technology and our ability to successfully keep up with technological advancement;
- our ability to attract and retain technical professionals and other qualified employees and key personnel;
- changes in currency exchange rates; and
- the other risk factors discussed in this document as well as other factors beyond our control.

## FORWARD-LOOKING STATEMENTS

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In some cases, we use the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the sections headed “Business” and “Financial Information” in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

The forward-looking statements are based on our current plans and estimates and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking statements in this document. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our Shares could decline, and you may lose all or part of your [REDACTED]. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-looking Statements” in this document.*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business, industry, financial prospects and general operations; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to government regulations; and (iv) risks relating to the [REDACTED]. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

### **RISKS RELATING TO OUR BUSINESS, INDUSTRY, FINANCIAL PROSPECTS AND GENERAL OPERATIONS**

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

We primarily operate in China’s mobile game industry, which is rapidly evolving and may not develop as we anticipate, making it difficult to evaluate our future prospects. In recent years, driven by the increasing popularity and constant technological upgrades of smartphones, the development of player preferences, market entry by new competitors, the adoption of new strategies by existing competitors and the introduction of new business models, the mobile game industry has developed rapidly. We expect these trends to continue, and we will continue to adapt our strategies to successfully compete in the industry. Certain technologies or applications that we are currently using may become obsolete if new technologies and business models involving new mobile technologies emerge. It is difficult to accurately predict players’ acceptance of new technologies and business models, and their demand for a variety of our existing and future games, as well as the future size, composition and growth of the industry we operate in.

According to Analysys, the size of the mobile game market in China grew rapidly at a CAGR of 15.8% from RMB145.0 billion in 2018 to RMB302.3 billion in 2023, and is expected to reach RMB367.7 billion in 2028. Given the limited history and the rapid evolution of this market in China, the historical growth rate may not be sustained and is subject to various factors beyond our control, including general economic conditions, the length of leisure time

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## RISK FACTORS

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people enjoy and their level of consumption, and the development of relevant laws, rules and regulations. All of these factors are of great difficulty to be precisely predicted. Any fluctuation or downturn in the overall development of the mobile game industry may reduce demand for our games and thus materially and adversely affect our business and results of operations.

**We generated a significant portion of our revenue from a small number of games during the Track Record Period.**

During the Track Record Period, our revenue was primarily generated from six mobile games, including Nine Realms: Sword & Immortals (九州仙劍傳), Sword Fantasy (天劍奇緣), Demon Hunter (黎明召喚), Mysterious World: Awakening (異界深淵:覺醒), Mysterious World: Spirit King (異界深淵: 大靈王), and Sword Path of the Mountain and Sea (山海劍途). A substantial majority of our revenue was derived from two of the six games, namely, Nine Realms: Sword & Immortals (九州仙劍傳) and Sword Fantasy (天劍奇緣). These two games in aggregate contributed 88.9%, 90.5%, 91.7% and 70.2% of our total revenue in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively. We cannot assure you that our revenue will continue to grow at a rate comparable to that during the Track Record Period. Should there be (i) any unexpected decline in the number of game players of these games; (ii) any unexpected decrease in the amount of user spending on these games; (iii) any failure by us to upgrade, enhance or optimize these games in a timely manner or at all; (iv) any lasting or prolonged server interruption due to network failures or other reasons; or (v) any other unfavorable changes made to these games, our business, financial condition and results of operations could be materially and adversely affected.

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

Our business growth depends on our ability to attract new players and retain existing players and keep them engaged in our games. To maintain and expand our player base, we must continue to invest significant resources in research and development to enhance our existing games and timely launch new, high-quality games, game editions or updates. Our game development capability largely depends on our ability to track and effectively respond to changing player interests and preferences and the changes in the competitive landscape. Failure to timely launch popular games and keep enhancing our existing games to meet the demands of the players may lead to slower-than-expected increases or even decreases in our player base and the player’s engagement with our games. In addition, we cannot guarantee that our games will continue to maintain their current level of popularity or that rapidly changing industry trends and player preferences will not make our games obsolete over time.

Moreover, to attract, retain and engage players, we must also invest significant resources to enhancing our players’ experience on an on-going basis — including by enhancing the functions and technical and artistic features of our games in a manner that appeals to our demographically diverse players and ensuring the reliability of our game operating systems. In addition, player support, including player service and technical support, is critical to retaining current players and attracting potential players. For example, if we otherwise fail to provide



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## RISK FACTORS

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effective player service, to address the player complaints to their satisfaction or to respond to player feedbacks in a timely manner, our players may be less inclined to play our games or recommend our games to other potential players, and may decide to play games offered by our competitors. Failure to maintain effective player service could harm our reputation and our ability to expand our player base, which may materially and adversely affect our results of operations.

**The markets in which we operate are highly competitive. If we are unable to compete effectively against our competitors, our game player base, market share and profitability may be materially and adversely affected.**

The industry we operate in is, and will continue to be highly competitive. According to Analysys, in China’s mobile game market, the top five market players with integrated development, publishing and operation capabilities collectively held a market share of about 60% in terms of gross billings in 2023. The mobile game markets outside mainland China that we are expanding into, such as the markets in Southeast Asia, may also be highly competitive. Some of our competitors may have more diversified game portfolios, greater brand recognition, stronger commercial relationships with third-party publishers or distributors, larger game player bases, longer operating histories, or more extensive access to more financial, technical, marketing or other resources. Consequently, such competitors may be able to respond more quickly and effectively to new opportunities, technologies, regulations or game players’ needs than we do.

As competition intensifies, we may need to devote more research and development as well as marketing resources and incur higher operating expenses. We may also have to offer more incentives to our game players and third-party game developers, publishers, distribution channels and advertising and marketing service agencies or providers, which could adversely affect our profitability. All of these make it difficult to evaluate our business prospects. If we fail to compete in a cost-effective manner or at all, our market share could decline and our results of operations could be materially and adversely affected.

**A substantial majority of our revenue is derived from sales of in-game virtual items, and failure to monetize effectively through this virtual item-based revenue model may adversely affect our business.**

Our games are primarily free to download and play. In 2022, 2023 and the nine months ended September 30, 2024, our average MPUs were 1,070 thousand, 908 thousand and 546 thousand, respectively. Our sustainable revenue growth depends in part on our ability to effectively encourage more players to make or increase their in-game virtual item purchases. However, spending in our games is discretionary, and players, especially those attracted by the free-to-play model, can be sensitive to the price of the virtual items. We have made great efforts in marketing in-game virtual items and carefully assess the pricing of these items to optimize player monetization, but these efforts may not be as effective as we anticipate. We might also fail to identify and introduce new and popular in-game virtual items and price them appropriately.

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## RISK FACTORS

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

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

Our games are subject to a limited lifecycle which typically comprises (a) the growth stage during which we build up a game player base and achieve market coverage, (b) the maturity stage during which the game continues to generate gross billings and player numbers remain relatively stable, and (c) the recession stage during which some players may gradually lose interest and the game experiences a significant drop in active players and gross billings.

As of the Latest Practicable Date, *Nine Realms: Sword & Immortals* (九州仙劍傳), *Demon Hunter* (黎明召喚), and *Mysterious World: Awaking* (異界深淵: 覺醒) were at the recession stage, *Sword Fantasy* (天劍奇緣) was at the maturity stage, and *Mysterious World: Spirit King* (異界深淵: 大靈王) and *Sword Path of the Mountain and Sea* (山海劍途) were at the growth stage. As of the same date, *Sword Fantasy* (天劍奇緣), *Mysterious World: Spirit King* (異界深淵: 大靈王) and *Sword Path of the Mountain and Sea* (山海劍途) were expected to have remaining lifecycles of approximately 21 months, 54 months, and 52 months, respectively. However, the lifecycle stages vary from game to game and may not be indicative of a game’s rate of growth and revenue generating capability. In addition, we cannot assure you for how long a game would stay at each lifecycle stage, or that a game with a longer maturity stage may generate more revenue than a game with a shorter maturity stage.

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

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## RISK FACTORS

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**If we fail to keep up with technological developments or anticipate or successfully adapt our games to new trends, our business prospects and results of operations could be materially and adversely affected.**

China’s mobile game industry is fast-growing with rapid changes in technologies, evolving game players’ needs and frequent introduction of new games. We need to keep up with new technologies and new standards set by governmental regulations and constantly adapt to new industry trends. We evaluate these changes when they emerge and strive to adapt our business and business operations to maintain and strengthen our industry position. Any failure to do so may materially and adversely affect our business prospects and results of operations. We need to anticipate the emergence of new technologies and assess their market acceptance. Furthermore, government authorities or industry organizations may adopt new standards that apply to game development. We have to continue to invest significant financial resources in game development as well as our infrastructures to keep up with the pace of technological advancements and hence strengthen our player base. However, game development is inherently subject to uncertainty, and our significant investment in technology may not bring expected benefits. If we fall behind in adopting new technologies or standards, our existing games may lose popularity and our newly developed games adopting new technologies or standards in which we have heavily invested may not gain popularity with our players or not gain market acceptance as expected. In addition, we may incur significant cost overruns in game testing, optimization and publication, which would have an adverse impact on our results of operations and profitability.

Moreover, our ability to plan for game development, distribution and promotion activities will be significantly affected by our ability to track and adapt to new industry trends, including rapid changes in tastes and preferences of our existing and prospective players, game content trends and publishing models. In addition, although mobile games are becoming increasingly popular in China, there is no assurance that they will continue to remain popular. Other forms of entertainment may emerge and become popular at the expense of mobile games. Any decline in the growth of the mobile game industry in China or in the popularity of mobile games in general, or our games in particular, would materially and adversely affect our business and prospects.

**Our global expansion, including distribution of our games to the overseas markets, could subject us to additional business, political, regulatory, operational, financial and economic risks, any of which could increase our costs and hinder such growth.**

While a substantial majority of our operations are in China, we have been expanding into overseas markets. We have limited experience in, and only generated insignificant revenue from, the overseas markets during the Track Record Period. Expanding our business overseas exposes us to a number of risks, including:

- our ability to localize games and adapt them to local preferences without compromising their content;

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## RISK FACTORS

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- our ability to protect our intellectual property rights overseas and manage the related costs;
- our ability to prudently implement our business strategies and manage the expansion;
- our ability to effectively control our costs associated with doing and expanding business in foreign jurisdictions;
- our ability to recruit and retain talent with relevant overseas experience;
- our ability to implement alternative payment methods for virtual items that complies with local laws and practices and protects us from payment fraud; and
- difficulty in identifying appropriate partners, such as distribution and publishing partners, and establishing and maintaining good cooperation relationships with them.

These and other risks associated with international activities, including protectionist laws and business practices that favor local businesses in some countries and political, economic and social instability, could also significantly affect our financial condition and operating results. We cannot assure you that our employees, contractors, or agents will not violate our policies or the laws and regulations in jurisdictions where we operate or our games are distributed. Any of these violations could materially and adversely affect our financial condition or operating results.

**We may not be successful in enhancing our brand recognition, and any negative publicity, regardless of veracity, may harm our brand and games.**

We believe that maintaining and enhancing our brand in the mobile game industry is essential for our continuous efforts to increase the number of our game players and enhance our recognition among our business partners. The strength and the market perception of our brand and games is critical to our financial performance and the success of our business. If we fail to maintain and enhance our brand, we may lose existing or prospective players, which could materially and adversely affect our business, financial condition and results of operations.

Additionally, any negative publicity, regardless of their veracity, involving us, our shareholders, management, employees, advisers, games, game players, business partners or the mobile game industry may harm our brand and hence our games. In particular, we engage third-party publishers to publish, operate and promote our games, if any of them are involved in negative news or publicity, our brand and reputation as well as the market perception of our games may be adversely affected. Moreover, given the nature of the mobile game industry, we are more exposed and susceptible to negative publicity. We may not be able to defuse any negative publicity to the satisfaction of our game players and business partners. Negative publicity about our brand may also require us to engage in defensive media campaigns and legal actions, which may increase our marketing or legal expenses and divert our management's attention and ultimately may materially and adversely affect our brand image, our business, financial condition and results of operations.

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## RISK FACTORS

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**Our new games may not be commercially successful if we fail to adapt our games to new trends and attract new game players.**

We cannot assure you that the new games we develop or license in will be commercially successful. We operate in a market characterized by rapidly developing technologies, evolving industry standards, frequent new game launches and updates and changing player preferences and demands. The good market reception of our games and our ability to effectively monetize depend to a large extent on our ability to adapt to these rapidly changing new trends as well as our ability to continually innovate in response to evolving game player preferences and demands and the intense market competition. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business, financial condition and results of operations, and you should not take the success of our existing games as an indication of the future commercial success of any of the games in our pipeline.

Many factors could adversely affect the market reception of our new games, including:

- our ability to anticipate and adapt to future technological developments, evolving industry standards, new business models and evolving player preferences and demands;
- our ability to efficiently operate our games and resolve technical difficulties and player complaints;
- our ability to publish our games efficiently and effectively in compliance with laws and regulations across multiple jurisdictions;
- our ability to plan and organize online and offline marketing and promotion activities; and
- our ability to improve our existing games and differentiate our new games from those offered by our competitors.

Moreover, after the launch of a new game, it may take time for us to assess whether the game will eventually become commercially successful. The length of the growth stage for building up player base and reaching the target market coverage can be uncertain, and the increase in popularity of new games during the growth stage can be slow, if it happens at all. If a game fails to be as commercially successful as we expected, we may not be able to promptly realize the under-performance after the game launches and come up with solutions to mitigate losses in a timely and effective manner. The situation may worsen when the growth stage of a new game coincides with the inevitable recession stage of our old games. All of the above situations may result in a significant downsize of our game player base, and our business, financial condition or results of operations may be materially and adversely affected.

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## RISK FACTORS

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

We recorded revenue of RMB5,675.1 million, RMB5,327.1 million, RMB4,261.4 million and RMB2,094.5 million in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively. In addition, we incurred net profit of RMB328.2 million and RMB197.1 million, in 2022, and 2023, respectively. We recorded net profit of RMB178.2 million for the nine months ended September 30, 2023 and net loss of RMB47.2 million for the nine months ended September 30, 2024. We cannot assure you that we will be able to sustain our growth rate for various reasons, including uncertainty of our continuous publishing and operation of mobile games, intensified competition within the mobile game industry in China and developments in the PRC laws and policies, which may have an impact on our business. Our revenue, expenses and results of operations may vary from period to period due to factors beyond our control. We cannot assure you that our future revenue will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial condition or business performance. We plan to achieve our business growth by implementing a series of strategies, such as continuing to strengthen our game development capability and enrich our game portfolio, enhancing our publishing capabilities to expand the player base and improve player stickiness, continuing to expand our overseas business, and seeking strategic alliances and investment opportunities. There is no assurance that we will be able to implement our business strategies and expansion plans successfully, which are subject to uncertainties and changing market conditions. In particular, our continuous growth may subject us to the following challenges:

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

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

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## RISK FACTORS

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

**We may not be successful in developing new games, and if we are unable to effectively control our research and development costs, our results of operations may be materially and adversely affected.**

As of the Latest Practicable Date, we had a game pipeline of 18 games, consisting of 15 self-developed games and three licensed games. The continued success of our business will depend on our research and development capabilities. Our ability to develop successful new games will largely depend on our ability to:

- interweave our publishing and operation team’s input in our game development process;
- capture evolving preferences and demands of game players;
- continually innovate and adapt our games to new market trends;
- retain, motivate and expand our talented game development team;
- organize efficient game testing and minimize launch delays and cost overruns in the development of new games, game editions or updates;
- effectively monetize games without degrading the gameplay experience of our players;
- effectively execute our game development plans; and
- effectively obtain or maintain requisite approvals, licenses or permits for our new games.

In addition, in-house game development requires a substantial initial investment prior to the launch of a game, as well as a significant commitment of future resources to produce updates and expansion packs. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, we incurred research and development costs of RMB159.8 million, RMB210.0 million, RMB147.1 million and RMB165.8 million, respectively. We expect a significant portion of our revenue to continue being derived from games developed in-house in the foreseeable future. However, we cannot assure you that we will be able to continuously develop and roll out new games that are well accepted by the market and that we will be able to effectively control our research and development expenses. Any failure to do so will negatively impact our game portfolio and pipeline and our cost structure, and consequently our results of operations.

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## RISK FACTORS

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**We may not be able to maintain stable business relationships with all of the third-party game developers.**

We have licensed games from certain third-party game developers. Under our game licensing agreements with third-party game developers, we have been typically granted right to publish, operate, and authorize third-party publishers to jointly operate the underlying licensed games in the specified regions, which has been a significant revenue source for us. For a summary of the terms of the game licensing agreements, see “Business — Our Operating Processes — Game Licensing From Other Game Developers” in this document.

We cannot assure you, however, that we will be able to maintain stable business relationships with all of the third-party game developers or that we would be able to continue licensing in games from them. For example, our competitors may offer them more favorable conditions in exchange for exclusive licenses, and the third-party game developers may decide or be forced to discontinue their game development business. Additionally, any failure on our part, including failing to properly operate and monetize their games and safeguard their intellectual properties, may adversely affect our business relationship with them.

**Our new games may attract players away from our existing games, which could adversely affect our results of operations.**

Our new games may lure players away from our existing games, and erode the player base for those games. This could in turn make the relevant existing games less attractive to other players, who may look at the rankings to decide which games to play, which could result in a decline in revenue from our existing games. Players of our existing games may also spend less on purchasing virtual items in our new games than they would have done had they continued playing the existing games. If we are unable to maintain existing players and attract new players or keep players engaged in our games as a result of the foregoing or otherwise, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**If we are unable to conduct our sales and marketing activities in a cost-effective manner, our results of operations and financial condition may be materially and adversely affected.**

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our selling and distribution expenses were RMB1,215.1 million, RMB963.1 million, RMB700.0 million and RMB612.4 million, respectively, representing 21.4%, 18.1%, 16.4% and 29.2% of our total revenue during these respective periods. We cannot assure that our sales and marketing activities will always be well received by mobile game players or lead to the levels of player retention and in-game purchases that we anticipate, and even to the extent that our marketing activities are effective, the additional revenue generated could nevertheless be insufficient to offset the relevant increased expenses. Failure to properly utilize or refine our existing marketing approaches in a cost-effective manner or introduce new cost-effective marketing approaches could reduce our market share, cause our revenues to decline and negatively impact our profitability.



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## RISK FACTORS

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**We use third parties to publish, distribute, promote or operate certain of our games in designated markets. Any termination or deterioration of our relationships with these third-parties or any under-performance of, or illegal or inappropriate behaviors of these third parties may adversely affect our business operations and reputation.**

We work with third-party publishers to publish, promote and operate certain of our games in designated markets. In addition, we cooperate with major game distribution channels such as iOS App Store, WeChat mini program, OPPO game center and vivo mini game to distribute certain of our games. These major game distribution channels have strong bargaining power compared to game developers like us. We are often subject to the standard service terms and conditions of these major game distribution channels with regard to the promotion, distribution, operation and payment methods of our games. Our amicable and stable relationships with, and the competency and performance of, these third parties are crucial to our business. Our business may be materially and adversely affected if the distribution channels discontinue or limit our access to their platforms for any reason, such as our failure to comply with the service terms and conditions of those major game distribution channels, establish more favorable relationships with one or more of our competitors, fail to effectively promote our games or otherwise fulfill their contractual obligations, experience deterioration in operations or underperformance, or fail to obtain or maintain the licenses required to publish or distribute our games. In addition, we are also required to comply with policies which may be amended from time to time of some third-party distribution channels, and any violation of such polices or failure to meet other requirements of such third-party distribution channels may lead to take-downs of the game products we market and operate, negative ratings and rankings, and restrictions on our game player traffic, which may have an adverse impact on our business operations and financial performance.

Disputes with third-party publishers who help to promote our games, such as disputes relating to game intellectual property, liability limitations, risk allocation or revenue sharing arrangements, may also arise from time to time. We cannot guarantee that we will be able to resolve these disputes amicably or at all. Besides, some third-party publishers may also develop and publish their own games. We are therefore subject to direct competition and potential conflicts of interest with these publishers. If our collaboration with a major game publisher fails or deteriorates for any reason, we may be unable to find a replacement in a timely manner or at all, and the publication of our games may be adversely affected. Any failure to maintain a stable business relationship with a sufficient number of popular platforms could cause a decrease in downloads of our games, which would have a material adverse effect on our business and results of operations.

In addition, we have benefited from our cooperation with certain of the third-party publishers. If any of them experience deterioration in operations or underperformance, such as losing their market position or otherwise falling out of favor with game players, or encountering any other factors that cause their game player base to stagnate or even shrink, we may need to identify alternatives for publishing, promoting and distributing our games, which, if available at all, would consume considerate resources and could adversely affect our business.

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## RISK FACTORS

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Moreover, if the distribution channels, third-party publishers and any other third parties engaged by us operate in a way that contravenes applicable laws and regulations or if government authorities identify potential issues raising concerns of negative social impact, including security, confidentiality, data privacy, minor protection, infringement of intellectual property rights, unfair competition, false advertising or other concerns, these third parties may face temporary or prolonged suspension of operations, we may be unable to maintain stable relationships with these third parties, and our business operations may be adversely affected by the illegal or inappropriate behaviors of these third parties. Any restriction on access to the Internet in general or these distribution channels or the failure to maintain relationship with these distribution channels and third-party publishers could lead to a loss or slower the growth of our game players, and our business, results of operations and prospects may be materially and adversely affected. We cannot assure you that we will be able to identify irregularities or non-compliance in the business practices of third parties we conduct business with, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Any legal liabilities and regulatory actions affecting third parties involved in our business may materially and adversely affect our business, results of operations and financial condition, as well as tarnish our reputation.

**We have limited control over third-party studios which provide game motion design and art design services to us, and the quality of their work product may adversely affect our schedule of game launch and the quality of our games.**

During the Track Record Period, we have in limited circumstances outsourced certain tasks, including game motion design and art design, to third-party studios to optimize our resources allocation and achieve greater cost efficiencies in the development process. We incurred research and design expenses of RMB18.7 million, RMB14.5 million, RMB9.6 million and RMB19.0 million, in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively. However, we have limited control over such third-party outsourcing partners and if their work products’ quality fails to pass our stringent quality control tests, our game launch may be delayed and we may incur additional costs to ensure the quality of our games. In addition, if we fail to identify such third-party outsourcing partners’ failure, our business results of operation could be adversely affected. The situation may get worse when our needs for such third-party studios expand to support our business growth. Failure to effectively manage any of the above situations may materially and adversely affect our reputation and business.

**Any failure or significant interruption in our technology, or any undetected programming errors or defects in our games could harm our reputation and materially and adversely affect our business.**

We may experience technology infrastructure disruptions, outages and other large-scale performance problems due to a variety of factors, including technology infrastructure changes, human or software errors, hardware failure, capacity constraints due to an unusually large number of game players accessing our games simultaneously, computer viruses and denial of service, fraud and security attacks. In addition, we may fail to timely monitor and report these

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disruptions. As our game players increase and our player-generated data continues to grow, we may be required to expand and adapt our technology infrastructure to support our game players and maintain reliable storing, processing and analysis of the data. It may become increasingly difficult and costly to maintain and improve the performance of our services to game players, especially during peak usage times, as game traffic increases. The disruptions, outages or other problems might make some or all of our systems or data unavailable or prevent us from efficiently providing services to our game players. If game players are unable to access our games in a timely manner, or at all, gameplay experience of our game players may be compromised, and the game players may seek games from our competitors to meet their needs and may not play our games as often in the future, or at all. This may materially and adversely affect our ability to retain or grow our game player base or maintain the level of game player engagement and/or perception of our games.

In addition, our games are subject to frequent updates, and may contain bugs or flaws that can only become apparent when the updates are accessed by a number of game players, especially when we launch updates under a tight schedule. If the programming bugs affect the gameplay experience of our game players severely, or we cannot resolve the bugs in a timely manner for any reason, we may lose some of our game players, and the reputation of our games may be harmed. Any of the above factors may adversely affect our business and results of operations.

**Any flaws or misuse of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or third parties, could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.**

To enhance the efficiency, quality and effectiveness of R&D and publishing and promotion activities, our staff would adopt our proprietary supporting systems which are supported and empowered by AI technologies, such as generative AI and AI-powered algorithms in their daily work. For more details, see “Business — Technology and Infrastructure” in this document. AI technologies are still at preliminary stages of development and will continue to evolve. Flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of the decisions and analyses made by the relevant products or systems. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies with the AI technologies that we use in a timely manner, or at all. Any flaws or deficiencies in such AI technologies, whether actual or perceived, could result in competitive disadvantages, potential legal liabilities, and reputational damages. Consequently, there may be negative conceptions about our games, which could adversely affect our business and reputation.

Similar to many innovations, AI technologies present social and ethical risks and challenges, such as potential misuse by third parties for inappropriate purposes or biased applications that could affect user perception and public opinion. Any inappropriate, abusive or premature usage of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or third parties, may impair the general acceptance of AI technologies by the society, attract negative publicity and adversely impact our reputation, and affect views of

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policymakers and regulators. It may even violate applicable laws and regulations in jurisdictions where we operate and subject us to legal or administrative proceedings, pressures from activists and/or other organizations and heightened regulatory scrutiny. Each of the foregoing events may in turn materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

**We rely on our proprietary information systems to generate certain key operating metrics, and any malfunction or interruption of the technical infrastructure of these systems may affect the accuracy of our data analytics.**

Certain operating metrics, such as average DAUs, average MAUs and AGBPPU are calculated by using our proprietary information systems. 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 player engagement across our large player base. In addition, our operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing our operating performance.

We cannot assure you about the indicative value of our operating metrics. They are derived and calculated based on various assumptions and estimates, which may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in data availability, sources and methodology. Any material inaccurate data analytics may lead to inappropriate operational and strategic decisions. If third parties do not perceive our player metrics to be accurate representations of our player base or player engagement, or if we discover material inaccuracies in our player metrics, our reputation may be harmed and third parties may be less willing to allocate their resources or spending to us, which could adversely affect our business and operating results.

**We rely on our data analytical capabilities. Any inability to access and capture accurate data may materially and adversely affect our ability to develop and implement appropriate business strategies.**

We process large volumes of data related to our games. Since 2018, we have been leveraging our advantage in our intelligent big data technology in the whole lifecycle of R&D, operation and promotion in our businesses. In particular, we have developed proprietary technology systems with strong data analysis capabilities and AI-empowered algorithms that integrate and track our mobile game business operations.

By utilizing intelligent algorithms, we are able to summarize and analyze players' characteristics and preferences, game performance, gameplay habits and spending patterns so that we can adjust our game development and operation strategies accordingly. For example, our Shenji System provides precise analysis of user behavior and in-depth user insights, enabling us to tailor corresponding marketing campaigns.

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Any system failure or compromise of our ability to process and analyze large volumes of player data could significantly limit our ability to optimize players’ experience of our games and develop appropriate business strategies, which may materially and adversely affect our business prospects and results of operations.

**Failure to maintain or improve our technology system could materially and adversely affect our business and results of operations.**

While we have made efforts to continuously upgrade our technology systems, there are inherent risks associated with maintaining and improving our technology systems. Any failure to maintain and improve our technology system could result in unanticipated system disruptions, slower response times, impaired game players’ experience, delays in reporting accurate operating and financial information and failures in risk management. We are committed to addressing these risks by prioritizing the maintenance and improvement of our technology system to meet the evolving needs of our players.

In addition, we utilize third-party developed software, systems, and technologies, as well as hardware purchased from outside suppliers. While these arrangements have provided us with valuable resources such as cloud computing, data storage, and bandwidth services, there may be risks associated with these third-party components. These risks could include incompatibilities among the components, service failures or delays, and potential issues with hardware and software.

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

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

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**The successful operation of our business depends on the performance and reliability of the Internet infrastructure and telecommunications networks in the countries where we operate.**

Our business depends in part on the performance, reliability and security of the telecommunications and Internet infrastructure in the countries where we operate. Substantially all of our servers, computer hardware and technology infrastructure equipment are currently located in China. Almost all access to the Internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of Ministry of Industry and Information Technology of the PRC (the “MIIT”). In the event of disruptions, failures or other problems with the Internet infrastructure in China or elsewhere, our business operation may be adversely affected. In addition, the Internet infrastructure in the countries in which we operate may not support the demands associated with continued growth in Internet usage.

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

Moreover, players’ gameplay experience depends on the efficient and uninterrupted operation of our computer and telecommunications systems. We may also experience in the future system interruptions and delays that render our games temporarily unavailable or slow to respond. Although we have prepared for contingencies through redundancy measures and disaster recovery plans, these preparations coverage may not be sufficient. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our facilities and our distribution channels, including power outages, system failures, telecommunications delays or failures, construction accidents, break-ins to information technology systems, computer viruses or human errors, could result in delays in or temporary outages of our games, loss of our players’ data and business interruption for us. Any of these events could damage our reputation, significantly disrupt our operations and players’ gameplay experience and subject us to liability, heightened regulatory scrutiny and increased costs, which could materially and adversely affect our business, financial condition and results of operations.

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

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## RISK FACTORS

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**Players' violations of our game policies may impede our players' gameplay experience and adversely affect our business growth.**

We have established game policies against unauthorized and inappropriate game player behavior. Under these policies, we disallow and disable a series of unauthorized or inappropriate behaviors, including any players' non-registration with real-name authentication measures, and sale of in-game virtual items among players, and we discourage our players' gifting, lease, sale or transfer of game accounts to other players. However, from time to time, unauthorized transactions are arranged through third-party channels or platforms which we are not able to monitor or control. We did not generate any revenue from these unauthorized transactions during the Track Record Period and we do not permit, or facilitate in any manner, these unauthorized transactions. Any of these unauthorized purchase and sale could impede our revenue and profit growth by (i) creating downward pressure on the prices we charge game players for our virtual items; (ii) increasing costs we incur to develop technological measures to curtail unauthorized transactions; (iii) increasing game player service costs to comfort dissatisfied game players; and (iv) increase our administrative costs related to resolving player disputes and complaints related to the virtual items and accounts. In addition, transactions through unauthorized third-party channels may involve fraud that is beyond our control, and we may face potential claims from our game players in connection with their losses resulting from third parties' fraudulent activities. These claims, regardless of merit, may harm our reputation, divert our management's attention and cause additional expenses in defending against these claims.

Furthermore, third parties may develop cheating systems that enable game players to exploit vulnerabilities in our games or obtain unfair advantages over other game players, such as by enabling unauthorized character enhancements and other hacking or dishonest activities. These cheating systems may harm the experience of players who play fairly and may disrupt the virtual economies of our games. In addition, unrelated third parties may attempt to scam our players with fake offers for in-game virtual items or other game benefits. If we fail to discover or prevent these cheating and scamming activities timely and effectively, our operations may be disrupted, our reputation may be damaged and our game players may quit our games and we may be involved into disputes or litigations in relation to such cheating or scamming activities. These consequences in turn may cause losses of our revenue from paying players, increase our cost of developing technological measures to combat these cheating activities, result in legal claims against us relating to the decrease in value of our virtual items, and increase our cost of game player services to comfort dissatisfied game players.

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

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

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

Furthermore, our payment channels are subject to various laws and regulations regulating electronic funds transfers and virtual currencies, which could change or be reinterpreted in a way that will adversely affect their compliance. If our payment channels experience any non-compliance incidents, they may be subject to fines and even lose their ability to accept online payments from our players, which in turn would materially and adversely affect our ability to monetize the player base. In addition, if we or the third-party payment channels experienced any investigations or litigations arising from any non-compliance incidents, the assets maintained at these third-party payment channels could be frozen, seized or even forfeited, which would materially and adversely affect our business and financial conditions.

**We may be held liable for inappropriate online communications or content made by our players.**

Our players post and share their gameplay experience or information about promotional activities, and some of their online communications may contain illegal, obscene or incendiary contents that may result in a negative impact among other players. Although we screen certain words according to lists maintained by ourselves or provided by the relevant government authorities, we cannot assure you that all the sensitive information contained in our game players’ online communications can be identified. This information or content may be deemed unlawful under applicable laws and regulations, and government authorities may require us to discontinue or restrict certain features, services or games that would have led, or may lead, to these events or terminate contracts with responsible platform service providers. We may incur significant costs in investigating and defending ourselves for claims or penalties caused by the improperly-disseminated information contained in our players’ online communications, and our business, financial condition, results of operation and prospects may be materially and adversely affected.

**Our technology platforms contain open-source software, which may pose particular risk to our proprietary software and games in a manner that could negatively affect our business.**

We use open-source software in connection with our games and will continue to use these open-source software in the future. There is a risk that open-source software licenses could be construed in a manner that impose unanticipated conditions or restrictions on our ability to publish and operate our games. In addition, we may be subject to lawsuits by third parties claiming ownership, or demanding release, of the open-source software or derivative works



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that we developed using such software. These claims could lead to requirements of publicly disclosing all or part of the software source code or making available any derivative works of the open-source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, financial condition and results of operations.

**We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.**

We regard our proprietary domain names, copyrights, trademarks, trade secrets and other IP rights to be critical to our business operation. We rely on a combination of copyright, trademark and trade secret laws as well as confidentiality and licensing agreements and other methods to protect our intellectual property rights. Any failure to register or maintain trademarks or other intellectual property rights in any country or region may limit our ability to protect our rights in such country or region under relevant trademark or other IP laws, and we may even need to use the name or the relevant trademark subject to certain restrictions or change the name or the relevant trademark in certain cases, which may adversely affect our branding and marketing efforts.

In addition, some players may illegally modify our games so that they can obtain our in-game virtual items for free. Reverse engineering, unauthorized copying or other misappropriation of our technologies or other intellectual property, or unauthorized access of our games could enable third parties to benefit from our technologies or games without compensating us. Moreover, unauthorized use of our technology or other intellectual property could enable our competitors to offer games and services that are comparable to or better than ours, which could harm our business and competitive position. Monitoring unauthorized use of intellectual property is difficult and costly, and the steps we or our business partners have taken may not fully prevent the infringement or misappropriation of our intellectual property rights or unauthorized use of our brand or games. From time to time, we may have to enforce our intellectual property rights and brand through litigation, which may result in substantial costs and diversion of resources and management attention.

**We may be subject to claims by third parties for intellectual property rights infringements, which could cause us to incur significant legal expenses and prevent us from promoting our games.**

Our commercial success depends at least in part on our ability to operate without infringing, misappropriating or otherwise violating the trademarks, copyrights and other intellectual proprietary rights of others. However, despite our best efforts to comply with relevant laws and regulations, we cannot guarantee that our business activities will not inadvertently infringe on the intellectual property rights of others. Therefore, it is important that we remain vigilant and take necessary precautions to minimize the risk of such infringement or violation. Our Directors believe that we did not face any material IP infringement claim which had material adverse impact on our business operations and financial performance during the Track Record Period and up to the Latest Practicable Date. However,

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there is no guarantee that we will not face IP infringement claims in the future. If third-party developers of our licensed games interpret the IP-related clauses provided in the licensing agreements differently and bring claims against us, we may face potential challenges, such as increased operational costs, diversion of our business resources and disruptions in our relationships with the developers, which may negatively impact our reputation, business operations, and financial conditions. Moreover, if we are found to have infringed on the intellectual property of others, we could be required to cease operations of certain games, which could have a material adverse effect on our financial condition and results of operations.

Any these proceedings or actions or claims, with or without merit, could be costly and distract our management from day-to-day operations. If we fail to successfully defend against these claims or do not prevail in such proceedings, we may be prohibited from using the relevant intellectual property rights, subject to fines and penalties, or be required to modify, optimize or cease operating the games, or satisfy indemnification obligations that we have with some of our game players, or enter into royalty or licensing arrangements with license fees or be forced to develop alternatives. Any royalty or licensing arrangements that we seek in these circumstances may not be available to us on commercially reasonable terms or at all. Moreover, we may incur substantial legal expenses in defending against these third-party infringement claims, regardless of their merits, and our bank assets and accounts may be frozen for property preservation purposes ordered by courts when we are pending a court judgment on these third-party infringement claims, which may adversely impact our liquidity and business operations. Our exposure to infringement actions may increase when we rely on third-party intellectual property providers as our only source of verifying the origin and ownership of the intellectual property. This exposure to liability could result in disruptions in our business that could materially and adversely affect our results of operations.

In addition, some of our employees were previously employed by other companies, including our current and potential competitors. We also intend to hire additional personnel to enrich our talent pool. If these employees are involved in our research and development of technologies or games similar to work products at their former employers, we may become subject to claims that these employees or we have appropriated proprietary information or intellectual property of these employees’ former employers. If we fail to successfully defend such claims against us, we may be exposed to liabilities which could have a material adverse effect on our business and reputation. For details of risks relating to legal proceedings, see “— We may become a party to legal or administrative proceedings or regulatory inquiries, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operations and cash flows” in this section.

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

Our business generates and processes a large quantity of player and player group profiles based on our analysis of personal data. Upon prior authorization, we have access to and collect, store, process and analyze certain data arising from individual players using mobile games we publish and operate. We currently store our data on a cloud database maintained by third parties. Therefore, we face risks inherent in handling and transmitting a large volume of data and in protecting the security of these data. We may be exposed to risks of security breaches or unauthorized access to or cyberattacks on our systems or the data we store, software bugs, system errors or other technical deficiencies, mistakes or malfeasance of our employees or contractors, vulnerabilities of our vendors and service providers, or other cybersecurity-related vulnerabilities.

We have established an information system security management framework, including relevant internal control and risk management mechanisms to manage network security, data security, anti-virus measures, approval procedure for system changes, user management, system monitoring, and incident management. We have also released clear standards and requirements for data backup and archive. In addition, for the key products operated by us, we have formulated privacy policy to inform the users of the purpose and scope of the information collected from them, and measures we have adopted with respect to data privacy protection, we provided channels for users to access, update and delete their personal information, close their accounts and withdraw consents, we have also included certain information into our privacy policy, such as our registered address, our data storage location for the personal information, the dates of publication or updates of our privacy policy. For details of how we protect data, see “Business — Data Privacy and Data Security — Data Privacy” in this document. However, it is possible that our security controls and other security practices may not prevent the improper access to or disclosure of personal data or proprietary information, and we cannot assure you that we will always be able to prevent unauthorized individuals or groups from gaining access and obtaining our player data for any purpose.

In addition, along with players’ greater awareness of the use of personal data by others, players’ expectations of data privacy and protection are also increasing. Player concerns about the extent to which personal information is accessible to, used by or shared with us or others may adversely affect our ability to gain access to data and provide services to players. Moreover, if a high profile security breach occurs with respect to other game publishers and operators, people may lose trust in the security of game publishers and operators generally, including us, which could damage the reputation of the whole industry, result in heightened regulation and strengthened regulatory enforcement and adversely affect our business and results of operations. We cannot assure you that we will always be able to address concerns, challenges, negative publicity and litigation related to data security and privacy, collection, use and actual or perceived sharing (including sharing among our own businesses, with business partners or regulators), safety, security and other factors that may arise from our existing

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businesses or new businesses and technology, such as new forms of data, or we will always be able to comply with applicable laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personally identifiable information with respect to the players and employees including any requests from regulatory and government authorities relating to the data.

Any system failure or security breach that results in the release of, or unauthorized access to, personal data, could result in loss or misuse of these data, impairment of our technological infrastructure, interruptions to the services we provide, diminished players’ gameplay experience, loss of player confidence and trust in our games, harm to our reputation, significant legal and financial exposure, regulatory investigations, penalties or actions against us, and potential lawsuits brought by private individuals or enforcement actions by regulators, and increased costs and loss of revenue. Consequently, we may be required to expend significant capital and other resources to prevent these security breaches or to alleviate problems caused by these breaches, our reputation may be adversely affected, we may lose our current players or fail to attract more potential players to play our games that require the collection of player data. This may also have a material and adverse effect on the [REDACTED] price of our Shares, our business, financial condition, results of operations and prospects.

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

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

We are subject to a variety of laws and other obligations relating to the security and privacy of data, including, among others, (i) PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, (ii) PRC Data Security Law (《中華人民共和國數據安全法》), or the Data Security Law, and (iii) PRC Cyber Security Law (《中華人民共和國網絡安全法》), or the Cyber Security Law. For details of the PIPL, the Data Security Law and the Cyber Security Law, see “Regulatory Overview” in this document. These laws create a range of new compliance obligations, which could cause us to change our business practices, and may impose substantial penalties for non-compliance.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which further stipulates that any data processing activities by network platform operators that affects or may affect national security shall be subject to the cybersecurity review and network platform operators mastering personal information of

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more than one million users shall also apply to the CAC for cybersecurity review when they seek for listing in a foreign country. However, the Cybersecurity Review Measures provides no further explanation or interpretation for “listing in a foreign country” or the criteria on determining the risks that “affects or may affect national security.” If our proposed [REDACTED] was deemed to “affect or may affect national security,” we may be required to apply for cybersecurity review, but there can be no assurance that we will be able to obtain approval from the regulatory authorities in a timely manner, or at all. Additionally, relevant regulatory authorities in the PRC may initiate cybersecurity review if they determine an operator’s network products or services or data processing activities affect or may affect national security. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results.

On September 30, 2024, the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》) (the “**Data Security Regulations**”) was published by the State Council, which came into effect on January 1, 2025. The Data Security Regulations reiterate and refine the general regulations for cyber data processing activities and rules of personal information protection, important data security protection, cyber data cross-border transfer security management, and the responsibilities of online platform service providers. In particular, the Data Security Regulations provide that cyber data processors whose cyber data processing activities affect or may affect national security shall be subject to national security review in accordance with the relevant regulations. However, the Data Security Regulations provide no further explanation or interpretation for the criteria on determining the risks that “affect or may affect national security.” Also, since the Data Security Regulations are still relatively new, the interpretation and implementation of these regulations may further evolve and develop.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the “**Security Assessment Measures**”), which took effect on September 1, 2022. The Security Assessment Measures require that any data processor that processes or exports personal information exceeding certain volume threshold 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 of China. On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》) (the “**Data Flow Provisions**”) (effective on the date of promulgation), the Data Flow Provisions provide several exemptions from undergoing data security assessment, obtaining personal information protection certification or entering into standard contract for outbound transfer of personal information for businesses. The Data Flow Provisions also explicitly state that data processors are not required to conduct data security assessment for cross-border transfer of important data if the data has not been notified or published as important data by relevant departments or regions. As of the Latest Practicable Date, we had not been involved in any cross-border transfer of large amount of personal data or important data during our daily business operations. However, since the Security Assessment Measures and the Data Flow Provisions were newly promulgated, there are uncertainties as to its

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interpretation and application. We cannot assure you that relevant regulatory authorities will take the same view as ours. In the event if the regulatory authorities deem certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

In addition, the Data Security Law, among other things, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data security, data processing activities must be conducted based on data classification and hierarchical protection system. The Data Security Law also requires protection of important data, but the scope of important data is still under development and may be further by relevant governmental authorities notified to the relevant data processor(s) or published by the relevant region or department. On December 8, 2022, the MIIT promulgated the Administrative Measures for Data Security in Industry and Information Technology Sectors (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), or the Data Security Measures, which took effect on January 1, 2023. The Data Security Measures also impose specific data security management requirements and certain filing and reporting obligations on processors of important data. However, the specific catalogs of important data still are not clearly provided in the Data Security Measures, and the possibility of we being identified as an important data processor cannot be ruled out. If we are identified as important data processor, we will be subject to the relevant requirements under the Data Security Law, the Data Security Measures and other evolving laws and regulations.

We expect that we will continue to face challenges as to whether our efforts to comply with applicable obligations under data protection, privacy and security laws will be sufficient. The relevant regulatory authorities may continue to monitor the websites, Apps and other network products or services in relation to the protection of personal data, privacy and information security, and may impose additional requirements as applicable. The relevant regulatory authorities may also release their monitoring results and require relevant enterprises listed in such notices to rectify their non-compliance when applicable. There are uncertainties as to the interpretation and application of laws, and such may conflict with our current policies and practices or require changes to the features of our system. In addition, any failure or perceived failure by us or our business partners to comply with any applicable data privacy and protection laws and regulations, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties. These proceedings or actions could subject us to significant penalties and negative publicity, require us to modify our business practices pursuant to applicable laws and regulations, which may increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with clients, vendors and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law. Any of these could have a material and adverse effect on our business and results of operations.

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

We may be involved in claims, disputes, governmental investigations, or other legal or regulatory proceedings from time to time in the ordinary course of our business. These may concern issues relating to, among others, customer complaints, breach of contracts, employment or labor disputes and infringement of IP rights. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may be time-consuming, resulting in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation, which could further adversely affect our business, financial condition, results of operations and prospects. In addition, our bank assets and accounts may be frozen for property preservation purposes ordered by courts when we are pending a court judgment on the claims, disputes or legal proceedings, which may adversely impact our liquidity and business operations.

As a mobile game developer, publisher and operator in the PRC, during the Track Record Period and up to the Latest Practicable Date, we were subject to legal, arbitration or administrative proceedings arising out of the ordinary course of our business from time to time, primarily including disputes regarding service contracts, trademark, and computer software copyrights. Our Directors confirm that, as of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings; and we were not aware of any material litigation, arbitration or administrative proceedings pending or threatened which would materially and adversely affect our business. Our Directors were not involved in any actual or threatened material claims or litigation. For details, see “Business — Legal Proceedings and Compliance” in this document. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against other parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business, and may result in substantial costs, damage to our reputation and diversion of resources and management attention.

**We may need additional capital and may fail to raise capital in a timely manner or on commercially acceptable terms, or at all.**

Although we believe that our anticipated cash flows from operating activities, together with cash on hand and net [REDACTED] from the [REDACTED], will be sufficient to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business for the next twelve months, we cannot assure you this will be the case. We may require additional cash resources due to future growth and development of our business, including any investments or acquisitions we may decide to pursue. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we

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may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including (i) our future financial condition, results of operations and cash flows; (ii) general market conditions for capital raising activities by mobile game companies; and (iii) global economic, political and other conditions.

We are also subject to certain regulatory approval and/or filing procedures with PRC governmental authorities for any future equity financing. These filing and approval procedures will take time, which may result in our missing the best market windows for debt or equity issuances in the future. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financial covenants that would restrict our operations. Our ability to access international capital and lending markets may be restricted at a time when we would like, or need, to do so, especially during times of increased volatility and reduced liquidity in global financial markets and stock markets, including due to policy changes and regulatory restrictions, which could limit our ability to raise funds. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material and adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

**Our advertisements and marketing campaigns may subject us to regulatory penalties or administrative sanctions, and our business, reputation, results of operations and prospects may also be materially and adversely affected by the inappropriate or illegal conducts made by us or any collaborating third parties.**

We and our collaborating third-party publishers advertise our games on multiple social media platforms and other online platforms. Under the applicable laws and regulations regarding the content of advertisements and marketing campaigns, advertiser may be obligated to be responsible for the authenticity of advertisements. We cannot guarantee that we or our collaborating third-party publishers will be able to detect and filter all unqualified or inappropriate advertisement creatives and marketing products placed by or through us or the third-party publishers due to the large volume of players’ activities.

Our failure to comply with the existing and future laws, regulations and regulatory requirements may subject us to fines, penalties, rectifications and other regulatory measures, as well as claims from our collaborating online media platforms and players, including claims with respect to misleading or inappropriate advertising, infringement of intellectual property rights and unfair competition activities, which in turn, may materially and adversely affect our business, reputation, results of operations and prospects.



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We are unable to always control the behaviors, comments and content made by to the collaborating third parties. It is possible that certain collaborating third parties may engage in illegal, immoral, obscene or inflammatory conversations or activities, including posting inappropriate or illegal content that may harm the interests or feelings of the public, our business, reputation, results of operations and prospects could be materially and adversely affected.

**We rely on our senior management and certain other key employees for our success. If we are unable to retain or motivate them or hire additional qualified personnel, we may be unable to grow effectively.**

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

In addition, our continued success will also depend on our ability to attract and retain qualified and experienced management and technical personnel to manage our existing operations and future growth. Qualified talent is scarce and in high demand and, as a result, competition for talent is intense. If any of our executive officers or key employees join a competitor or form a competing company, we may lose know-how, trade secrets, business partners and key professionals and staff. We may need to offer higher compensation and other benefits to attract and retain key personnel in the future, which could increase our compensation expenses. We may not be able to recruit or retain sufficient talent to support the growth of our business.

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

We maintain limited insurance policies required under PRC laws and regulations, as well as based on our assessment of our operational needs and risks and in line with the standard commercial practice in our industry. For details of our insurance policies, see “Business — Insurance” in this document. However, insurance companies in the PRC generally do not offer as extensive an array of insurance products as they do in countries with more developed economies. As a result, we may not be able to acquire any insurance for all types of risks we face in our operations in the PRC, and our coverage may not be adequate to compensate for all losses or claims that may occur anytime. To the best of our Directors’ knowledge, no insurance products that have been specifically designed for protecting the risks related to the Contractual Arrangements have been made available on the market. In line with general industry practice in China, we do not maintain business interruption insurance, key man life insurance, any insurance for our information technology infrastructure and systems or any insurance for our leased properties. Any business disruption, litigation, regulatory action,

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outbreak of epidemic disease, adverse weather conditions or natural disasters could expose us to substantial costs and diversion of resources, and we have no insurance to cover such losses or we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

**We may enter into strategic acquisitions, licensing arrangements and partnerships or make strategic investments, which may not be successful and may have a material adverse effect on our business.**

Although we did not have specific plans as of the Latest Practicable Date, we may in the future acquire or invest in high-quality companies, including third-party game developers, content providers, publishers or other upstream or downstream industry players that can enhance our game-related sourcing, development and operational capabilities. We believe that strategic investments and acquisitions can help us to more effectively consolidate our market position, respond to industry trends, and achieve our goals for growth. However, these acquisitions and investments involve uncertainties and risks, including:

- accurately evaluating potential acquisition targets and identifying acquisition targets with operations complementary to our existing operations;
- potential competition and conflicts of interest resulting from the investments and acquisitions that we make directly and those that we make indirectly through strategic partners;
- potential ongoing financial obligations and unforeseen or hidden liabilities;
- retaining key employees and maintaining key business relationships with partners of the businesses we acquire;
- failure to achieve expected objectives, benefits or revenue enhancement;
- costs and difficulties of integrating acquired businesses into our existing business and operations and managing a larger business;
- the need to integrate an acquired company's accounting, management information, human resources and other administrative systems to permit effective management and timely reporting;
- the possibility that, before the acquisition or investment, we will not discover important facts during due diligence that could have a material adverse impact on the value of the businesses we acquire or invest in;

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- significant accounting charges resulting from the completion and integration of a sizeable acquisition and increased capital expenditures;
- the possibility that a change of control of a company we acquire triggers a termination of contractual or intellectual property rights important to the operation of its business; and
- diversion of resources and management attention.

Our failure to address these risks successfully may have a material adverse effect on our financial condition, results of operations, cost structure and risk profile. In addition, any such acquisition or investment may require a significant amount of capital investment, which would reduce the amount of cash available for working capital or capital expenditures. Furthermore, if we use our equity securities to pay for acquisitions, we may dilute the value of our Shares. Our Shareholders may not have the opportunity to review, vote on or evaluate future acquisitions or investments. If we borrow funds to finance acquisitions, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends.

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

Our Controlling Shareholders will, through its/their voting power at the Shareholders' meetings and delegates on the Board, have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

**Our business, financial condition and results of operations may be materially and adversely affected by epidemics, natural disasters, acts of war or terrorism or any other catastrophes beyond our control.**

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

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condition resulting from the spread of epidemics could lead to the decrease in overall players’ spending. The natural disasters, pandemics and other outbreaks may also give rise to temporary closure of our offices, exposing our employees to personal risks, imposing additional health or safety measures upon our office spaces, or exposing us to potential liabilities for actions taken or not taken.

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

**We may not be able to achieve or maintain profitability in the future.**

We recorded a net profit of RMB328.2 million and RMB197.1 million in 2022 and 2023, respectively. We recorded a net profit of RMB178.2 million for the nine months ended September 30, 2023 and a net loss of RMB47.2 million for the nine months ended September 30, 2024. We cannot assure you that we will be able to continue to generate profits in the future. Our costs and expenses will likely increase in the future as we expect to expand our operations and our sales and marketing, enhance our technology capabilities, develop and launch new games, and expand game player base in existing market. Any of these efforts may incur significant R&D and operating expenses, and take time to achieve profitability. In addition, these efforts may be more costly than we expect and may not result in increased revenue or growth in our business as expected.

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

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**We incurred net current liabilities during the Track Record Period, which may continue to experience in the future.**

We recorded net current liabilities of RMB49.1 million as of September 30, 2024. Our net current liability position was primarily due to (i) trade and bills payables; (ii) other payables and accruals; (iii) contract liabilities; and (iv) interest-bearing bank borrowings. For details, see “Financial Information — Liquidity and Capital Resources — Net Current Assets/Liabilities” in this document.

The net current liability position can expose us to the risk of shortfalls in liquidity. This in turn may require us to undertake additional equity financing, which could result in dilution of your equity interests, or to seek debt financing, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material and adverse effect on our prospects.

Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary approvals from competent government authorities, investors’ confidence in us, the performance of the mobile game industry, and our operating and financial performance. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected. In the event that we continue to have net current liabilities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow, obtain bank loans or facilities, or obtain additional financing to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

**We may not fully recover our deferred tax assets, which may affect our financial positions in the future.**

We recorded deferred tax assets of RMB82.5 million, RMB99.8 million and RMB157.8 million, respectively, as of December 31, 2022, 2023 and September 30, 2024. For details of our deferred tax assets, see Note 23 to the Accountant’s Report in Appendix IA and Note 15 to the Unaudited Interim Condensed Consolidated Financial Information in Appendix IB to this document. The determination of our deferred tax assets requires significant judgment from our management on the tax treatment of certain transactions as well as assessment on the probability, timing and adequacy of future taxable profits for the deferred tax assets to be recovered. If such judgments turn out to be incorrect or imprecise, we may need to adjust our tax provisions accordingly. Furthermore, we cannot predict any future movements in our deferred tax assets and to what extent they may affect our financial position in the future. Any of these events may have a material adverse effect on our business, financial condition and results of operation.

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**We have historically received preferential tax treatments and government grants and we may not receive such treatments or grants in the future.**

We have been granted certain tax preferences and governmental grants. During the Track Record Period, we benefited from various preferential tax treatments in China. Our subsidiaries enjoyed tax exemption and tax deduction when they were accredited as “software enterprise(s)” and tax deduction when they were accredited as “small meagre-profit enterprise(s)” and we were entitled to claim “Super Deduction” in relation to our research and development activities according to applicable laws and regulations in the PRC during the Track Record Period. Our tax effect of the Super Deduction of research and development costs in 2022, 2023, and the nine months ended September 30, 2023 and 2024 were RMB29.7 million, RMB43.6 million, RMB28.9 million and RMB32.9 million, respectively. For details, see Note 10 to the Accountants’ Report in Appendix IA to this document.

Our preferential tax treatment and government grants are subject to review by the government and may be adjusted or revoked in the future. In addition, the timing, amount and criteria of government subsidies are determined within the discretion of the local government authorities and cannot be predicted with certainty. We cannot assure you of the continued availability of the preferential tax treatment or government grants currently enjoyed by us. The discontinuation, reduction or delay of these preferential tax treatment and government subsidies could materially and adversely affect our business, financial condition and results of operations.

**We are subject to credit risk associated with our trade receivables. Any payment delays or defaults from the third-party publishers and third-party payment channels may materially and adversely affect our cash flow and results of operations.**

Our trade receivables mainly represent outstanding amounts due from third-party publishers, payment channels and distribution channels. We generally offer credit terms ranging from 30 to 90 days to our collaborated distribution channels and third-party publishers and credit terms ranging from one to four days to payment channels. We do not hold any collateral or other credit enhancements over the trade receivable balances. We seek to maintain strict control over our outstanding receivables to minimize credit risk and our customer service department conducts regular review on overdue balances. As of December 31, 2022 and 2023 and September 30, 2024, our trade receivables amounted to RMB283.8 million, RMB129.3 million, and RMB72.0 million, respectively. However, we cannot guarantee the collection of amounts due in a timely manner. Our collaborated third-party publishers and third-party payment channels may delay or default on their payments if the relationship between them and us deteriorates or terminates, or if their business generally decrease or experience non-payment or requests for refund by game players, and as a result, we may not be able to fully recover the outstanding amounts due from them and we may have to make provision for impairment. We recorded net impairment losses on financial assets of RMB7.4 million in 2022, and reversal of previous impairment losses on these financial assets of RMB0.8 million, RMB1.5 million and RMB0.1 million in 2023 and the nine months ended September 30, 2023 and 2024, respectively, based on our assessment of the recoverability of certain trade receivables. In

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particular, we made provisions for impairment of trade receivables of RMB8.3 million, RMB7.5 million, and RMB7.4 million as of December 31, 2022 and 2023 and September 30, 2024, respectively. In 2022, 2023 and the nine months ended September 30, 2024, our average trade receivables turnover days were 13 days, 14 days and 13 days, respectively. For details, see “Financial Information — Discussion of Certain Selected Items From the Consolidated Statements of Financial Position — Trade Receivables” in this document. Our business, financial condition and results of operations may be materially and adversely affected if significant trade receivables are not settled on time, or at all.

**If we are not able to fulfill our obligation in respect of contract liabilities, our results of operations and financial condition may be adversely affected.**

We recorded contract liabilities of RMB186.1 million, RMB124.9 million, and RMB90.3 million as of December 31, 2022 and 2023 and September 30, 2024, respectively. Our contract liabilities primarily consisted of (i) advanced receipt for our game licensing-out and distribution, which will be deducted when the third-party publishers would remit our portion of gross billings; and (ii) unamortized revenue from in-game virtual item sales for our mobile games, where there is still an implied obligation to be provided by us over the player relationship period. We may be required to return the corresponding portion of the payment from these third-party publishers upon the situation where we might not be able to fulfill our obligations in respect of the contract liabilities, such as the termination of any of our games’ operation, which may adversely affect our results of operations and financial condition, including our cash and liquidity position.

**We may need to make allowance for impairment of contract costs, which could negatively affect our results of operations and financial condition.**

As of December 31, 2022 and 2023 and September 30, 2024, our contract costs amounted to RMB136.3 million, RMB90.9 million, and RMB58.7 million, respectively. Our contract costs primarily refer to deferred cost of fulfilling a contract, including unamortized commissions charged by third-party publishers, distribution channels and third-party game developers. Our capitalized contract costs are amortized over the player relationship period on a systematic basis, which is consistent with the pattern of recognition of the associated revenue.

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Our contract costs are subject to impairment test whenever events or changes in circumstances indicate that we might not be able to fulfill our obligation in respect of the contract liabilities, however, the contract costs paid to distribution channels and third-party publishers cannot be recovered. During the Track Record Period, we did not record any impairment losses for contract costs, but there is no assurance that there will be no such charges in the future. In the event that we may need to make allowance for impairment of contract costs, our results of operations and financial condition may be adversely affected.

**We may need to make allowance for impairment of prepayments, deposits and other receivables.**

As of December 31, 2022 and 2023, and September 30, 2024, our prepayments, deposits and other receivables amounted to RMB42.3 million, RMB107.8 million, and RMB110.3 million, respectively. For detailed discussion on our prepayments, deposits and other receivables, see “Financial Information — Discussion of Certain Selected Items From the Consolidated Statements of Financial Position — Prepayments, Deposits and Other Receivables” in this document.

There is no guarantee that the third-party game developers and our suppliers will perform their obligations or in a timely manner, and we are subject to impairment risk in relation to our prepayments, deposits and other receivables. We may make allowance for impairment of prepayments, deposits and other receivables when we determine the chances of recovering the relevant amounts due when these service providers fail to perform their obligations or in a timely manner are remote. We conduct regular assessments on the recoverability of prepayments, deposits and other receivables based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, market trends and to a certain extent, the macro-economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. We made allowance for impairment of prepayments, deposits and other receivables of RMB11.5 million as of December 31, 2022 and 2023, and September 30, 2024, respectively, and there is no assurance that there will be no such charges in the future. In the event that we may need to make allowance for impairment of prepayments, deposits and other receivables in the future, our business, financial condition and results of operations may be adversely affected.

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

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Furthermore, the ongoing evolution of laws and regulations, coupled with the ever-changing nature of misconduct



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patterns and breaching incidents, are also factors beyond our control. Therefore, we cannot guarantee that our internal control measures will enable us to consistently identify and prevent fraud and other improper activities in a timely manner, despite the precautions we have in place.

Our risk management and internal controls also depend on their effective implementation by our employees and/or cooperation of relevant third-parties. Due to the significant size of our business and operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business, financial condition, and results of operations. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, financial condition, and results of operations could be materially and adversely affected.

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

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

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

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### RISKS RELATED TO OUR CONTRACTUAL ARRANGEMENTS

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

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

We are a Cayman Islands exempted company and our WFOE, Guangzhou Uni-Star Interactive, is considered as a foreign-invested enterprise. To ensure compliance with the PRC laws and regulations, we conduct our foreign investment-restricted business in China through our Consolidated Affiliated Entities based on the Contractual Arrangements. As a result of the Contractual Arrangements, we are able to exert control over our Consolidated Affiliated Entities and consolidate financial results of our Consolidated Affiliated Entities in our financial statements under IFRSs. For details, see “History, Reorganization and Corporate Structure” in this document. Based on the facts as stated in the “Contractual Arrangements”, our PRC Legal Advisers are of the opinions that: (i) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto; (ii) no agreements under the Contractual Arrangements violate any provisions of the articles of association of Guangzhou Uni-Star Interactive and Chengdu Uni-Star Interactive; and (iii) the Contractual Arrangements are not in violation of any mandatory provisions of applicable PRC laws and administrative regulations. However, we have been advised by our PRC Legal Advisers that the interpretation and application of current or future PRC laws and regulations would further develop to accommodate the prevailing circumstances at the time. The PRC government may take a view contrary to the above opinions of our PRC Legal Advisers. If the PRC government finds that we are in violation of any existing or future PRC laws, the relevant government authorities with jurisdiction over the operation of our business would have broad discretion in dealing with such violation, including, without limitation:

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

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

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

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

On March 15, 2019, the National People’s Congress of the PRC promulgated the Foreign Investment Law (《中華人民共和國外商投資法》), which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People’s Court (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) took effect on January 1, 2020. Since the Foreign Investment Law and its current implementation and interpretation rules are relatively new, their further application and development will evolve to accommodate the prevailing circumstances at the time. The Foreign Investment Law does not explicitly classify whether variable interest entities, or VIEs, that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our Contractual Arrangements should be dealt with.

Foreign ownership of certain of our businesses is subject to restrictions or prohibitions under current PRC laws and regulations, including internet cultural business and value-added telecommunication services business. In particular, under the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (外商投資准入特別管理措施(負面清單)(2024年版) (the “**Negative List**”) and confirmations obtained from relevant competent authorities, the online game operation business of our Consolidated Affiliated Entities falls within the scope of internet cultural business, which is a foreign investment prohibited business, and value-added telecommunications services business, which is a foreign investment restricted business. For details see “Contractual Arrangements — Legality of the Contractual Arrangements” in this document. The FIL provides that (i) foreign-invested entities operating restricted business are required to obtain market entry clearance and other approvals from relevant PRC government authorities; (ii) foreign investors shall not invest in any prohibited business under the Negative List. If our control over our Consolidated Affiliated Entities through Contractual Arrangements is deemed as foreign investment in the future, and any business of our Consolidated Affiliated Entities is restricted or prohibited from foreign investment under the Negative List effective at the time, we may be deemed to be in violation of the FIL, the Contractual Arrangements that allow us to have control over our Consolidated Affiliated Entities may be deemed as invalid and illegal, and we may be required to unwind the Contractual Arrangements and/or restructure our business operations, any of which may have a material and adverse effect on our business operations.

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

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

We have to rely on the Contractual Arrangements with Chengdu Uni-Star Interactive and the Registered Shareholders to operate the business in areas where foreign ownership is restricted or prohibited. Our revenue and cash flow generated from our internet cultural business and value-added telecommunications services business are attributable to the Consolidated Affiliated Entities. These Contractual Arrangements, however, may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities.

Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of our Consolidated Affiliated Entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current Contractual Arrangements, we rely on the performance by Chengdu Uni-Star Interactive and the Registered Shareholders of their obligations under the agreements under the Contractual Arrangements to exercise control over our Consolidated Affiliated Entities. Chengdu Uni-Star Interactive or its shareholders may not act in the best interests of our Company or may not perform their obligations under such agreements. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under such agreements through the operations of PRC laws, arbitration, litigation and other legal proceedings and may not succeed. For details, see “— Any failure by Chengdu Uni-Star Interactive or the Registered Shareholders to perform their obligations under the Contractual Arrangements would have a material and adverse effect on our business” in this section.

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**Any failure by Chengdu Uni-Star Interactive or the Registered Shareholders to perform their obligations under the Contractual Arrangements would have a material and adverse effect on our business.**

If Chengdu Uni-Star Interactive or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the Registered Shareholders were to refuse to transfer their equity interests in Chengdu Uni-Star Interactive to us or our designated person(s) where we exercise the purchase option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith towards us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholders' equity interests in Chengdu Uni-Star Interactive, our ability to exercise shareholders' rights or foreclose the equity pledges according to the Contractual Arrangements may be impaired. If these or other disputes between the Registered Shareholders and third parties were to impair our control over the Consolidated Affiliated Entities, our ability to consolidate the financial results of the Consolidated Affiliated Entities would be affected, which would in turn result in a material and adverse effect on our business, operations and financial condition.

All the agreements under our Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. Any future changes in the relevant PRC laws and regulations could affect our ability to enforce the Contractual Arrangements. For details, see “— Risks Relating to Government Regulations — Laws and regulations governing the internet industry and related businesses in China are evolving and actual or alleged failure to comply with such laws and regulations may adversely affect our business and operations” in this section. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC laws and as a result, it may be difficult to predict how an arbitration panel would view such contractual arrangements. As a result, we may not be able to enforce the Contractual Arrangements under relevant PRC laws and regulations. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitral awards within a prescribed time limit, the prevailing parties may only enforce the arbitral awards in PRC courts through arbitral award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce the Contractual Arrangements, or if we suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected.

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**We may lose the ability to use and enjoy assets and licenses held by the Consolidated Affiliated Entities that are important to our business if any of them goes bankrupt or becomes subject to a dissolution or liquidation proceeding.**

Our Consolidated Affiliated Entities hold certain assets and licenses that may be critical to our business operations. If the Registered Shareholders breach the Contractual Arrangements and voluntarily liquidate any of the Consolidated Affiliated Entities, or if any of the Consolidated Affiliated Entities declares bankruptcy, their licenses may be revoked 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 as provided in the Contractual Arrangements, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. In addition, if any of the Consolidated Affiliated Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets, thereby hindering our ability to operate our business, which could materially or adversely affect our business, financial condition and results of operations.

**The Registered Shareholders may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.**

The Registered Shareholders may have potential conflicts of interest with us. These shareholders may breach, or cause Chengdu Uni-Star Interactive to breach, or refuse to renew, the existing Contractual Arrangements, if they believe it would further their own interest or if they otherwise act in bad faith, and such would have a material and adverse effect on our ability to effectively control the Consolidated Affiliated Entities and receive substantially all the economic benefits from the Consolidated Affiliated Entities. For example, the Registered Shareholders may be able to cause our agreements with Chengdu Uni-Star Interactive to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of such shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

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

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**If we exercise the option to acquire equity interests or assets of Chengdu Uni-Star Interactive, the transfer of interests or assets may subject us to certain limitations and substantial costs.**

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

**The Contractual Arrangements we have entered into with Chengdu Uni-Star Interactive and the Registered Shareholders may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.**

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

### RISKS RELATING TO GOVERNMENT REGULATIONS

**Laws and regulations governing the internet industry and related businesses in China are evolving and actual or alleged failure to comply with such laws and regulations may adversely affect our business and operations.**

The PRC government regulates the internet industry, including the foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are evolving, and their interpretation and



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enforcement may develop in the future to accommodate prevailing circumstances at the time. New laws, regulations or policies may be promulgated or announced that will regulate internet activities, including provision of mobile game business. If these new laws, regulations or policies are promulgated, additional licenses may be required for and additional standards may be implemented to our operations. If our operations fail to comply with these new regulations after they become effective, we could be subject to penalties and our business operations could be disrupted. In addition, our permits, licenses or operations may be subject to challenge, or we may fail to obtain, maintain or renew permits or licenses that may deem necessary for our operations. If we fail to maintain or obtain the required permits or licenses, we may be subject to various penalties, including fines and discontinuation of, or restriction on, our operations, which may separately or aggregately have a material and adverse effect on our results of operations.

For instance, with regard to the provision of online games in China, laws and regulations governing the playing time and players’ age of online games is evolving and we may need to adopt certain changes to ensure compliance with the promulgation of new laws and regulations. In July 2011, eight PRC government authorities, including the GAPP, the Ministry of Education, the MIIT and five others, jointly promulgated the Notice on Initializing the Verification of Real-name Registration for Anti-addiction System on Online Games (關於啟動網絡遊戲防沉迷實名驗證工作的通知), which provides, among other things, that the relevant authorities should strengthen the implementation of authentication of real names for anti-addiction system in online games, but excluding mobile games. In August 2018, PRC regulators issued the Implementation Program on Comprehensive Prevention and Control of Juveniles Myopia (綜合防控兒童青少年近視實施方案), proposing to control the number of new online games, explore the age-appropriate prompting system in line with the national conditions and take measures to restrict the amount of time minors spend on playing online games. In October 2019, 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 imposed a number of restrictions on mobile games including the time and duration where minors can spend on mobile games as well as the purchase amount one can spend in these mobile games. In August 2021, the GAPP issued the Notice on Further Strict Administration to Prevent Minors from Indulging in Online Games (國家新聞出版署關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知), which provided that online game operators may only provide online game services to minors on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m. According to the relevant laws and regulations, if we fail to comply with the relevant requirements, the competent authorities can order us to make rectifications, issue a warning, and confiscate the illegal gains, as well as impose monetary fines on us. If we refuse to make rectifications or the circumstances are serious, we may be ordered to suspend our relevant business, cease our business for rectification, close our website, or revoke our business license or relevant permits.

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We believe that these laws and regulations are not expected to have any significant impact on business, operations and financial performance, as confirmed by our Directors. We currently have adopted a comprehensive real-name authentication measures and minors are not allowed to register for our games. For details, see “Business — Minors Protection — Anti-addiction Control Measures Implemented by Our Group” in this document. Our Directors believe that we have measures properly implemented all the minor protection control measures that are legally required and practically available, and based on the industry practice. However, we cannot assure you that our Group’s and our collaborating third-party publishers’ anti-addiction and real name registration control measures will be regarded as sufficient by competent government authorities. Should the relevant government authorities find our Group and our collaborating third-party publishers, not satisfying the requirements, they may order our Group and our collaborating third-party publishers to rectify, and relevant licenses or approvals could be revoked, which may adversely affect our Group’s business operations. We might fail to comply with new or potential requirements relating to online protection of minors. Any failure or perceived failure by us to comply with or to accurately anticipate the application, interpretation or legislative expansion of any new policies or regulatory requirements thereof could result in proceedings or actions against us by the relevant government authorities and negatively affect our business.

**Regulatory authorities in jurisdictions where our games are published or distributed may promulgate new laws and regulations affecting our business, which may restrict or otherwise make it difficult for us or our local third-party publishers to promptly obtain or maintain all applicable permits and approvals and may adversely affect our ability to conduct our business.**

Our business operations are subject to a variety of laws and regulations in China and other jurisdictions, affecting various aspects of our operations, including ownership structure, requisite licenses, marketing strategy, game stories, customer relationships and intellectual property. Local laws or regulations in overseas markets where our games are published or distributed may also be applicable to us, and our business requires us to obtain and maintain applicable licenses and permits, such as Value-added Telecommunications Operation License (增值電信業務經營許可) and game publication number to support our lawful operations. For details, see “Business – Licenses and Permits” in this document. The laws and regulations on mobile game operation, digital analytics and internet-related industries, and the licensing and permit requirements pertaining to companies operating in these industries, are constantly evolving and subject to the interpretation of the competent authorities. As a result, we may be subject to other relevant regulatory requirements due to developments in the political or economic policies in the relevant jurisdictions or the developments in the interpretation of relevant laws and regulations. We cannot assure you that we will always be able to maintain our existing licenses or obtain new ones required for conducting our business in all jurisdictions where we operate or have business presence. If any government considers that we are operating without the proper licenses or permits or promulgates new laws and regulations that require additional licenses or permits or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by such government may have a material and adverse effect on our business, financial condition and results of operations.

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The general office of the Ministry of Culture and Tourism (中華人民共和國文化和旅遊部), or the MOCT, released the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Culture Operation License to Further Regulate the Approval Work (《關於調整<網絡文化經營許可證>審批範圍進一步規範審批工作的通知》) (the “**Notice**”) on May 14, 2019, which specifies that the MOCT no longer assumes the responsibility for the administration of the online game industry and no longer approves or issues the Internet Culture Operation Licenses within the business scope of “operating online games via the internet,” “operating online games via the internet (including the issuance of virtual currencies used for online games)” or “conducting trade of virtual currencies used for online games via the internet.” However, there is no assurance that the aforementioned business activities would not be regulated by other relevant government authorities in the future. In addition, whether and how we would be required to obtain the Internet Culture Operation License for our publishing and operation of games are subject to new laws and regulations and supervision requirements by new regulatory authorities in the future. If we are not able to obtain the Internet Culture Operation Licenses for our publishing and operation of games in a timely manner, or at all, after the promulgation of new laws and regulations that require us to do so, we may be required to suspend or cease our business operations, which could materially and adversely affect our results of operations and financial condition. We will closely monitor the latest regulatory developments and make every effort to comply with any new regulations and policies. For details of relevant laws and regulations, see “Regulatory Overview” in this document.

Moreover, pursuant to relevant PRC laws and regulations, official launch and monetization of online games in the PRC is subject to the pre-approval from and issuance of game publication numbers by the National Press and Publication Administration (the “**NPPA**”). Historically, the NPPA at the national level temporarily suspended approval of game publication and issuance of publication numbers for online games in July 2021 and resumed to issue game publication numbers by batches periodically beginning in April 2022. As the regulatory authorities have received a large number of game publication applications which are to be reviewed, it may take some time for all of the existing game publication applications to complete the process and obtain game publication numbers. There is uncertainty as to when we will be able to complete game publication and obtain the game publication numbers for our new games in the pipeline targeting PRC market. If we operated our games without obtaining requisite pre-approvals from the NPPA, our business operation may be adversely impacted or, if we fail to obtain pre-approvals from the NPPA, we may not be allowed to launch our games in China as scheduled, or at all, which could materially and adversely impact our ability to introduce new games, delay the timetable for new game launching and affect our business growth.

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For mobile game publication and distribution in overseas markets, it may be necessary for mobile game companies to obtain, renew or retain the relevant licenses, permits or approvals via local third-party game publishers to comply with the applicable laws and regulations for such publication and distribution. However, as the relevant laws and regulations in overseas markets may be complex, and that we have no physical presence in overseas markets, it may not be possible for us to ensure that the local third-party publishers can timely obtain, renew or retain all the relevant licenses, permits or approvals in overseas markets or that they would strictly comply with all the relevant laws and regulations of overseas markets for the publication and distribution of our mobile games, or at all. Failure to comply with the relevant applicable laws and regulations for the publication and distribution of our mobile games in overseas markets may subject us to fines and other administrative penalties imposed by those government authorities.

### **Unsanctioned use of our services in specific jurisdictions may give rise to regulatory risks.**

Internet-based business is generally not bounded, which means game players from all over the world can access our games. Generally, a game player in China is required to provide proof of identity such as an identification number when applying for a player account, or represent that he/she is not barred from accessing to our games under PRC laws and local regulations. For example, we have implemented measures to prevent the game players from using fake identity for our games in China, including by matching the ID number with the documented legal name of the purported player. Depending on the distribution channel through which the player acquires the game, either the third-party distribution channel or we ourselves will perform identity checks. However, we do not perform identity checks in overseas markets that are served by third-party publishers we engage. We cannot assure you that all game players have provided genuine identification information or that we will not be subject to fines or legal or administrative proceedings.

As of the Latest Practicable Date, we are not aware of any regulatory regime, nor have we received any notice from any local regulators or major distribution channels, which requires us to restrict access to, or take down, our games in any specific jurisdiction. Although we do not believe that the mere fact that our games are accessible in a particular jurisdiction necessarily subjects us to the local laws and regulations, we cannot assure you that the local regulators share the same understanding. As a result, if the local regulators in any specific jurisdiction place access restrictions to our games, any unsanctioned use of our services by local players may subject us to regulatory risk, including monetary penalties or injunctions, which may adversely affect our business operations. In addition, as many sanction programs are constantly evolving, new requirements or restrictions could come into effect, which might increase scrutiny of our business or result in one or more of our business activities being deemed to have violated sanctions.

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### **The M&A Rules and certain other PRC regulations establish procedures for some acquisitions of Chinese companies by foreign investors.**

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

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions required approval processes, including obtaining approval from the MOFCOM or its local counterparts or other relevant government agencies. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions could as such be affected.

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

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

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. We believe none of our entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities. As all of our management members are based in the PRC, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, then we or this subsidiary could be subject to PRC tax at a rate of 25% on our or its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other

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disposition of our ordinary Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Additionally, pursuant to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement and relevant PRC tax laws on the interpretation of the Arrangement, a preferential withholding tax rate of 5% may apply if the PRC enterprise is at least 25% held by the Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and certain other conditions, such as the beneficial ownership requirement, are met. Furthermore, under the Measures for Non-resident Taxpayers’ Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》), which became effective in January 2020, the applicant for the preferential withholding rate is required to maintain a record with its in-charge tax authority and submit, gather and retain all the requisite application materials. No government approval for the application is required, although the relevant tax authorities may subsequently challenge the applicability of the preferential withholding rate. There can be no assurance that we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate under the Double Taxation Arrangement with respect to dividends to be paid by our PRC subsidiaries to Hong Kong shareholders.

**Certain of our subsidiaries have not made all necessary contributions to the social insurance and housing provident fund, which could subject us to penalties, including fines and court enforcement.**

Pursuant to relevant PRC laws and regulations, employers in the PRC are required to make social insurance contributions and housing provident fund contributions for their employees, and entities failing to make contributions may be ordered to settle the outstanding contributions within a prescribed time limit and subject to penalties or fines. During the Track Record Period, we did not fully adhere to the contribution requirements pertaining to our employees. For details, see “Business — Legal Proceedings and Compliance — Non-compliance — Failure to make social insurance and housing provident fund contributions in full” in this document. We cannot assure you that we will not be subject to penalties or fines imposed by the relevant PRC authorities as a result of such non-compliance incidents or be ordered to rectify such non-compliance incidents. Further, we cannot assure you that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. Any such penalties, orders or complaints may harm our corporate image and may have an adverse effect on our financial condition and results of operations.

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**Our leasehold interest may be defective and our legal right to lease certain properties may be challenged, which could cause disruption to our business.**

As of the Latest Practicable Date, all of the lessors of our leased properties in China with an aggregate gross floor area of approximately 14,614.78 square meters had provided us with valid title certificates or relevant authorization documents evidencing the right to lease the property to us. However, we may not be able to continue to use such property if the lessor’s right to lease such property is challenged by any third party. Furthermore, we cannot assure you that we are able to renew our lease on commercially acceptable terms upon expiry, or at all. If the title of any of our leased properties is controversial or the validity of the relevant lease is challenged by any third party, or if we fail to renew our lease upon expiry, we may be compelled to relocate from the affected premises. Such relocation may result in additional expenses or business interruption, which could, in turn, have an adverse effect on our business, financial condition and results of operations.

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

**Our foreign exchange transactions, including dividend payments on our Shares may be limited.**

We receive substantially all of our revenues in RMB. Under our current corporate structure, our Company in the Cayman Islands primarily relies on dividend payments from our PRC subsidiaries 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 the SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE, subject to the condition that the remittance of such dividends outside of China complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our Company who are PRC residents. However, approval from or registration with appropriate governmental authorities or their designated agencies like commercial 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. As a result, we need to obtain the SAFE approval or registration to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than RMB owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than RMB.



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## RISK FACTORS

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The PRC government has imposed relevant foreign exchange policies and conducted scrutiny of major outbound capital movements. There are also restrictions and substantial vetting process in place for the SAFE to regulate cross-border transactions falling under the capital account. If we are not able to obtain sufficient foreign currency in compliance with relevant rules and regulations to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

**Failure to comply with requisite approval/filing requirements in respect of our outbound investment may subject us to penalties and/or any other liabilities.**

Pursuant to the relevant provisions of the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》), promulgated by NDRC and which became effective on March 1, 2018, to make outbound investment, any investor shall go through the formalities to have a proposed overseas investment project approved or filed on the record, report relevant information, and cooperate in supervision and inspection, and the authority in charge of examining and approving such projects shall be NDRC and its provincial branches. Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the MOFCOM and which became effective on October 6, 2014, the MOFCOM and provincial competent commerce departments shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves shall be subject to administration by approval. Outbound investment by enterprises that does not involve sensitive countries or regions or sensitive industries shall be subject to administration by record-filing. In addition, SAFE promulgated the Circular of the SAFE 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》), or SAFE Circular 13, which became effective on June 1, 2015. According to the SAFE Circular 13, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment shall be directly reviewed and handled by banks in accordance with the SAFE Circular 13 and the Guidelines for Direct Investment-related Foreign Exchange Business, and SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks. If any of our historical or current outbound investment was regarded as failed to comply with the requisite approval/filing requirements, we may be subject to administrative penalties and/or any other liabilities, imposed by the NDRC, the MOFCOM, and/or the SAFE, including order us to suspend or terminate such implementation of our outbound investments. As of the date of this document, we have not received any inquiry, notice, warning, or sanctions regarding any of our outbound investment, however we cannot assure you that, there will be no detailed rules, circulars, policies, regulations or laws in relation to the imposition of penalty with respect to such non-compliance promulgated or implemented in the future. Therefore, there is no guarantee that we will not be subject to penalties or any other liabilities arising from such failure in performing such requisite approval/filing requirements.

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## RISK FACTORS

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

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and making registrations with other governmental authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE, or its local branches; and (ii) each of our PRC subsidiaries may not procure loans which exceed statutory limits, namely, the difference between its total amount of investment and its registered capital, or certain amount calculated based on elements including capital or net assets and the cross-border financing leverage ratio or the macro-prudential management mode, under relevant PRC laws. Any medium or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and the SAFE or its local branches. If we fail to complete such recording or registrations, our ability to use the [REDACTED] of this [REDACTED] and to capitalize our PRC subsidiaries may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular No. 19, which took effect as of June 1, 2015. SAFE Circular No. 19 launched a nationwide reform of the administration of the settlement of foreign exchange capital of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular No. 16. SAFE Circular No. 19 and SAFE Circular No. 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi funds converted from their foreign exchange capital for expenditure beyond their business scope, making investment (except for securities investment or non-guaranteed bank products), issuing loans to non-affiliated enterprises, or constructing or purchasing real estate not for self-use. In addition, the SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) on October 23, 2019, or SAFE Circular 28, pursuant to which non-investment foreign invested enterprises can use their capital funds to make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with PRC laws and regulations. On April 10, 2020, the SAFE issued the Circular on Optimizing the Administration of Foreign Exchange to Support the

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## RISK FACTORS

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Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, pursuant to which eligible enterprises are allowed to make domestic payments by using the income under their capital accounts, such as their capital funds, foreign loans and overseas [REDACTED], without prior provision of materials evidencing the authenticity for each expenditure, provided that the capital usage is authentic and in compliance with the current administrative provisions on use of income under the capital account. The relevant bank must conduct spot checks afterwards in accordance with the relevant requirements. Considering that SAFE Circular 28 and SAFE Circular 8 are often principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, its interpretation and implementation by government authorities and banks may further develop to accommodate prevailing circumstances in the future.

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

**We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange and other regulations.**

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to the PRC Residents' Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, which was promulgated by the SAFE in July 2014, required PRC residents or entities to register with SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies, are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital

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## RISK FACTORS

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variation, such as a change of PRC shareholders, the name of a company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. In accordance with the SAFE Circular 13, the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and the SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. If any PRC shareholder fails to make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits, and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, as the implementation of the regulatory requirements by PRC authorities continue to evolve and develop to accommodate prevailing circumstances at the time, the registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, both Mr. Guo and Ms. Guo, who are PRC residents, have completed their registration under the SAFE Circular 37. However, we may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of them will comply with our request to make, obtain or update, any applicable registrations, or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

The foreign exchange regulations with other approval requirements and any future regulation concerning offshore or cross-border transactions, will develop and be interpreted, amended and implemented by the relevant governmental authorities according to the prevailing circumstances at the time. We may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we, or the owners of such company, as the case may be, will be able to obtain the necessary approvals, or complete the necessary filings and registrations, required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy, and could adversely affect our business and prospects.

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## RISK FACTORS

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**The potential acquisitions we may pursue in the future are subject to scrutiny by relevant tax authorities.**

According to the Announcement of the STA on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or STA Circular 7, promulgated by the STA in February 2015 and further revised in October and December 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through the transfer of the equity interests of an offshore holding company without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and treat the indirect equity transfer as a direct transfer. As a result, the gain derived from such transfer, i.e., the transfer price minus the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under the terms of STA Circular 7, a transfer that meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company is directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or in the year before the indirect transfer, over 90% of the offshore holding company's revenue is directly or indirectly derived from PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; and (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

We face uncertainties as to the reporting and other implications of certain future transactions where PRC taxable assets are involved, such as offshore restructuring and sale of the shares in our offshore subsidiaries. We and our non-PRC resident investors may be subject to filing obligations in such transactions, under STA Circular 7. For transfers of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist with the filing under STA Circular 7. As a result, we may be required to expend valuable resources to comply with STA Circular 7 or to request that the relevant transferors from whom we purchase taxable assets comply with these circulars, or to establish that our Company should not be taxed under these circumstances, which may have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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**Failure to comply with applicable anti-corruption, anti-bribery, anti-money laundering, sanctions and other relevant laws and regulations could subject us to penalties and other adverse consequences.**

We are subject to anti-corruption, anti-bribery, anti-money laundering, sanctions and other relevant laws and regulations in the PRC and other countries where we conduct activities or have players. We face significant risks if we fail to comply with the applicable laws, such as prohibiting companies and their agents and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or other benefits to government officials, political parties and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person or securing any advantage. We have implemented anti-corruption, anti-bribery and anti-money laundering policies to address the requirements under the applicable laws.

In addition, the United States and other jurisdictions or organizations, including the European Union and the United Nations, have, through executive orders, passing of legislation or other governmental means, implemented measures that impose economic sanctions against certain countries or jurisdictions, or against targeted industry sectors, groups of companies or persons, and/or organizations within these countries or jurisdictions. It is possible that our games could be accessed in comprehensively sanctioned jurisdictions or by sanctioned persons. We cannot predict the interpretation or implementation of government policies in the United States at the federal, state or local levels or any policy of the European Union, the United Nations and other applicable jurisdictions with respect to any current or future activities by us, our affiliates or third-party publishers in countries subject to international sanctions and with sanctioned persons. As a result, we cannot assure you that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the authorities of the United States, or any other government or organization that, with or without jurisdiction over our business, assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the United States, the European Union, the United Nations or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provide a basis for a sanctions designation of us. In addition, as many sanction programs are constantly evolving, new requirements or restrictions could come into effect, which might increase scrutiny of our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

Any violation of applicable anti-corruption, anti-bribery, anti-money laundering, sanctions or other laws or regulations could result in governmental or regulatory investigations, civil or criminal fines or other sanctions, whistleblower complaints and adverse publicity, which could have an adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a significant diversion of management’s attention and significant defense costs and other professional fees.

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## RISK FACTORS

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### **There may be difficulties in effecting service of legal process and enforcing judgments against us and our management.**

The members of the board of directors and all of our senior management members reside in the PRC, and a substantial part of our assets are located in the PRC. There may be difficulties for investors to directly effect service of legal process within the U.S. or elsewhere outside the PRC upon us or our management. On July 14, 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, which came into effect on August 1, 2008. Under this Arrangement, where any designated people’s court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people’s court of the PRC or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement 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 Court and the completion of the relevant legislative procedures in the Hong Kong. On January 29, 2024, the New Arrangement was declared effective jointly by the Supreme People’s Court of the PRC and the government of Hong Kong SAR, which has replaced the Arrangement. However, the New Arrangement does not apply to certain judgments of civil and commercial matters. Furthermore, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in the PRC.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in many developed countries, including the Cayman Islands. Therefore, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult.

It may be difficult for investors to bring an original action in a PRC court against us or our Directors or senior management members who reside in the PRC based on the liability provisions of non-PRC securities laws. Even if any investor is successful in bringing an action of this kind, this investor may be unable to enforce a judgment against our assets or the assets of our directors and officers.

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## RISK FACTORS

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### RISKS RELATING TO THE [REDACTED]

**There has been no prior public market for our Shares prior to the [REDACTED], and the liquidity and market price of our Shares may be volatile.**

Prior to the [REDACTED], there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations between our Company and the Joint Representatives (for themselves and on behalf of the [REDACTED]) and the [REDACTED] may differ significantly from the [REDACTED] for our Shares following the [REDACTED]. We have applied for [REDACTED] and permission to [REDACTED] our Shares on the Stock Exchange. There is no assurance that the [REDACTED] will result in the development of an active, liquid [REDACTED] market for our Shares.

The price at which our Shares will trade after the [REDACTED] will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts’ estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- assessments of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours and general market sentiment regarding the mobile game industry and companies;
- changes in laws and regulations;
- our ability to compete effectively in the market; and
- global economic, financial and social developments.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, [REDACTED] in our Shares may experience volatility in the [REDACTED] of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.



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## RISK FACTORS

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**The approval of, or filing with, the CSRC or other regulatory authorities may be required in connection with future capital raisings activities, and, if required, we cannot assure you that we will be able to obtain such approval or complete such filing.**

We may be required to make filings with or report to CSRC or other PRC governmental authorities for our capital raising activities. Any failure or perceived failure to make filing, report or comply with other applicable laws and regulations would have a material adverse effect on our capital raising activities and result in negative publicity and legal proceedings or regulatory actions against us.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating 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 calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “**Trial Measures**”) and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, 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. For details, see “Regulatory Overview — Regulations on M&A and Overseas Listings” in this document.

In addition, according to the Trial Measures, any future securities [REDACTED] and [REDACTED] after our [REDACTED] will also be subject to filing procedure of CSRC and we are also required to report certain material matters to CSRC after our [REDACTED]. Any failure to perform such filing or reporting procedure would subject us to administrative penalties by CSRC which could harm our reputation and may adversely affect our results of financial condition.

Furthermore, on February 24, 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering 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 “**Confidentiality Provisions**”), which came into effect on March 31, 2023. Pursuant to the Confidentiality Provisions, any future inspection or investigation conducted by overseas securities regulator or the relevant competent authorities on our PRC domestic companies with respect to our overseas securities offering and listing shall be carried out in the manner in compliance with PRC laws and regulations.

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## RISK FACTORS

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**Investors will experience immediate dilution and may experience further dilution in the future.**

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, limitations on our ability to acquire or license intellectual property rights or declaring dividends, or other operating restrictions.

**Substantial future sales or the expectation of substantial sales of our Shares in the [REDACTED] could have a material adverse effect on the prevailing [REDACTED] of our Shares and our ability to raise additional capital in the future.**

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Shareholders, or the perception or anticipation of such sales, could adversely impact the [REDACTED] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. While we currently are not aware of any intention of Shareholders to dispose of significant amounts of their Shares, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

**We are a Cayman Islands exempted company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.**

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. For details, see “Appendix III — Summary of the Constitution of the Company and Cayman Companies Act” to this document. As a result of all of the above, minority Shareholders may enjoy different remedies when compared to the laws of the jurisdiction such shareholders are located in.

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## RISK FACTORS

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**We cannot assure you that we will declare and distribute any dividends in the future.**

There can be no assurance that we will declare and pay dividends because the declaration, payment and amount of dividends are subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, the Articles and applicable law. For details of our dividend policy, see “Financial Information — Dividends” in this document.

**We will incur increased costs as a result of operating as a [REDACTED] company, and our management will be required to devote substantial time to new compliance initiatives.**

As a [REDACTED] company, we will incur additional legal, accounting and other expenses that we did not previously incur. Although we are currently unable to estimate these costs with any degree of certainty, they may be material in amount. Our management and other personnel will need to devote a substantial amount of time to compliance initiatives as well as [REDACTED] relations. Moreover, applicable rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

**If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] and [REDACTED] of our Shares may decline.**

The [REDACTED] for our Shares may be affected by research reports about us or our business published by the industry or securities analysts. The [REDACTED] of our Shares would possibly decline if one or more analysts who cover us downgrade our Shares or publish negative opinions about us regardless of the accuracy of the information. We may lose visibility in the financial markets if one or more of these analysts cease coverage of us or fail to regularly publish reports on us, which could cause the [REDACTED] or [REDACTED] of our Shares to decline.

**Certain information in this document relating to the PRC economy and the industry in which we operate may not be fully reliable.**

Certain information and statistics set out in this document were extracted from the report prepared by Analysys, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Analysys to prepare the Analysys Report, an independent industry report, in connection with the [REDACTED]. However, the information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

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## RISK FACTORS

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

You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED] in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED].

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

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning future operations, liquidity and capital resources. [REDACTED] of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved and [REDACTED] should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. For details, see “Forward-looking Statements” in this document.

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

In preparation for the [REDACTED], our Company has sought [and has been granted] the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### **WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG**

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

Our headquarters and most of our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment of additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that our Company implements the following arrangements:

- (a) we have appointed Ms. Li Song (李松) and Ms. Au Wing Sze (區詠詩) as our authorized representatives pursuant to Rule 3.05 of the Listing Rules. The authorized representatives will act as our Company’s principal channel of communication with the Hong Kong Stock Exchange. The authorized representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
- (b) when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (including mobile phone numbers, office phone numbers, email addresses and fax numbers, if any) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

- (c) all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;
- (d) we have appointed Somerley Capital Limited as our compliance adviser upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The compliance adviser will maintain constant contact with our authorized representatives, Directors and senior management through various means, and will act as the additional channel of communication with the Stock Exchange when our authorized representatives are not available. Our authorized representatives, Directors and senior management will provide promptly such information and assistance as the compliance adviser may reasonably require in connection with the performance of the compliance adviser’s duties as set forth in Chapter 3A of the Listing Rules; and
- (e) meetings between the Stock Exchange and our Directors can be arranged through our authorized representatives or our compliance adviser, or directly with our Directors within a reasonable time frame.

### **WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the “relevant experience” of the individual:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

- (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.

Pursuant to paragraph 13 of Chapter 3.10 of the Guide, the Stock Exchange will consider any waiver application from strict compliance with the requirements set out in Rules 3.28 and 8.17 of the Listing Rules on the specific facts and circumstances, including: (a) whether the applicant has principal business activities primarily outside Hong Kong; (b) whether the applicant is able to demonstrate the need to appoint a person who does not have the acceptable academic or professional qualifications or relevant experience as a company secretary; and (c) why the directors consider the individual to be suitable to act as the applicant’s company secretary.

Our Company has appointed Ms. Zhu Haixia (朱海霞) (“**Ms. Zhu**”), an executive Director and a vice president of our Company, as one of our joint company secretaries. She has considerable experience in human resources and administration matters and has been joined the Group since 2019 with well-acquaintance of Group’s internal affairs and procedures, but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Au Wing Sze (區詠詩) (“**Ms. Au**”), an associate of both The Hong Kong Chartered Governance Institute in Hong Kong and The Chartered Governance Institute in the United Kingdom, 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 Ms. Zhu for an initial period of three years from the [REDACTED] to enable Ms. Zhu 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.

Given Ms. Au’s professional qualification and experience, she will be able to explain to both Ms. Zhu and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Au will also assist Ms. Zhu in organizing Board meetings and Shareholders’ meetings as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Au is expected to work closely with Ms. Zhu and will maintain regular contact with Ms. Zhu, the Directors and the senior management of our Company. In addition, Ms. Zhu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. She will also be assisted by our compliance adviser and our legal advisers as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and applicable laws and regulations.

Since Ms. Zhu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong 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 Ms. Zhu may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the [REDACTED] on the conditions that (a) Ms. Zhu must be assisted by Ms. Au who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules; and (b) the waiver will be revoked immediately if and when Ms. Au ceases to provide assistance to Ms. Zhu as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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Before the expiration of the initial three-year period, the qualifications of Ms. Zhu will be re-evaluated 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 will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms. Zhu, having benefited from the assistance of Ms. Au for the preceding three years, will have acquired the skills necessary to carry out the duties of a 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.

### **WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS**

In respect of our Contractual Arrangement, we have entered into, and expect to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Chapter 14A of the Listing Rules. For details, see “Connected Transactions” in this document.



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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Executive Directors</b>		
Ms. Guo Xiaolan (郭小蘭)	No. 2, Floor 5, Unit 1, Building 3 No. 1 Zhixin North Street Wuhou District, Chengdu City Sichuan Province, PRC	Chinese
Ms. Li Song (李松)	Room 401, No. 13 Xiyuangang Yuexiu District, Guangzhou City Guangdong Province, PRC	Chinese
Mr. Liang Haijian (梁海健)	Room 903, No. 10 Hongjing South Street Yihong Road Haizhu District, Guangzhou City Guangdong Province, PRC	Chinese
Ms. Zhu Haixia (朱海霞)	Room 1101, Block 3 Zhongxing Garden II Tianhe District, Guangzhou City Guangdong Province, PRC	Chinese
<b>Independent Non-Executive Directors</b>		
Dr. Wang Yong (王勇)	62-2 Zhuzijie No. 18 Tonghui Road Haidian District Beijing, PRC	Chinese
Dr. Zhu Wuxiang (朱武祥)	Room 302, Unit 5, Building 5 Xueqingyuan Xueyuan Road Haidian District Beijing, PRC	Chinese
Mr. Chen Aiwen (陳愛文)	Room 604, Unit 2, Building 2 No. 459, Chezhan North Road Furong District, Changsha City Hunan Province, PRC	Chinese

For details, see “Directors and Senior Management” in this document.

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor**

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

[REDACTED]

**Legal Advisers to the Company**

*As to Hong Kong and U.S. laws:*

**O'Melveny & Myers**  
31/F, AIA Central  
1 Connaught Road Central  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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*As to PRC law (in Chinese name  
alphabetical order):*

**Qiyuan Law Firm**

63/F, Shimao Global Financial Center  
No. 393 Jianxiang Road  
Furong District, Changsha  
Hunan Province  
PRC

**CM Law Firm**

Room 1218, South Tower  
Beijing Kerry Centre  
1 Guanghai Road  
Beijing  
PRC

*As to Cayman Islands law:*

**Maples and Calder (Hong Kong) LLP**

26/F, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

*As to PRC cybersecurity and data privacy  
protection laws*

**CM Law Firm**

Room 1218, South Tower, Beijing  
Kerry Centre  
1 Guanghai Road  
Beijing  
PRC

**Legal Advisers to the Sole Sponsor  
and the [REDACTED]**

*As to Hong Kong and U.S. laws:*

**Clifford Chance**

27/F, Jardine House  
One Connaught Place  
Central  
Hong Kong



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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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*As to PRC law:*

**JunHe LLP**

26F, HKRI Taikoo Hui Hong Kong  
HKR Centre  
No. 288 Shimen 1st Road  
Shanghai  
PRC

**Auditors and Reporting Accountants**

**Ernst & Young**

*Certified Public Accountants and Registered  
Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King’s Road, Quarry Bay  
Hong Kong

**Industry Consultant**

**Analysys Limited**

3/F, Block B12C  
Hengtong International Business Park  
No. 10, Jiuxianqiao Road  
Chaoyang District, Beijing  
PRC

**Compliance Adviser**

**Somerley Capital Limited**

20/F, China Building  
29 Queen’s Road Central  
Hong Kong

[REDACTED]

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands
<b>Headquarters and Principal Place of Business in the PRC</b>	Building A4-A5, Yuanchuang Community Heguang Yiheng Road Tianhe District Guangzhou PRC
<b>Principal Place of Business in Hong Kong</b>	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Company Website</b>	<u><a href="http://www.xbhy.cn">www.xbhy.cn</a></u> <i>(Information contained on this website does not form part of this document)</i>
<b>Joint Company Secretaries</b>	<b>Ms. Zhu Haixia (朱海霞)</b> Room 1101, Block 3 Zhongxing Garden II Tianhe District, Guangzhou City Guangdong Province, PRC  <b>Ms. Au Wing Sze (區詠詩) (ACG and HKACG)</b> 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Authorized Representatives</b>	<b>Ms. Li Song (李松)</b> Room 401, No. 13 Xiyuangang Yuexiu District, Guangzhou City Guangdong Province, PRC

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## CORPORATE INFORMATION

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**Ms. Au Wing Sze (區詠詩)** (*ACG and HKACG*)  
31/F, Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

### **Audit Committee**

Mr. Chen Aiwen (陳愛文) (*Chairperson*)  
Dr. Zhu Wuxiang (朱武祥)  
Dr. Wang Yong (王勇)

### **Remuneration Committee**

Dr. Zhu Wuxiang (朱武祥) (*Chairperson*)  
Mr. Chen Aiwen (陳愛文)  
Ms. Li Song (李松)

### **Nomination Committee**

Ms. Guo Xiaolan (郭小蘭) (*Chairperson*)  
Dr. Zhu Wuxiang (朱武祥)  
Mr. Chen Aiwen (陳愛文)

[REDACTED]

### **Principal Banks**

**Shanghai Pudong Development Bank Co., Ltd.,  
Guangzhou Zhujianghui Branch**  
No. 148-178, North Jude Road  
Haizhu District, Guangzhou City  
Guangdong Province, PRC

**China Merchants Bank Co., Ltd.,  
Guangzhou Pazhou Branch**  
Ground Floor, Tower B, Poly Sanyue Plaza  
No. 28, Chenyue Road  
Haizhu District, Guangzhou City  
Guangdong Province, PRC

**Standard Chartered Bank (China) Limited,  
Guangzhou Branch**  
Guangzhou International Trade Center  
No. 235, Tianhe North Road  
Tianhe District, Guangzhou City  
Guangdong Province, PRC

## INDUSTRY OVERVIEW

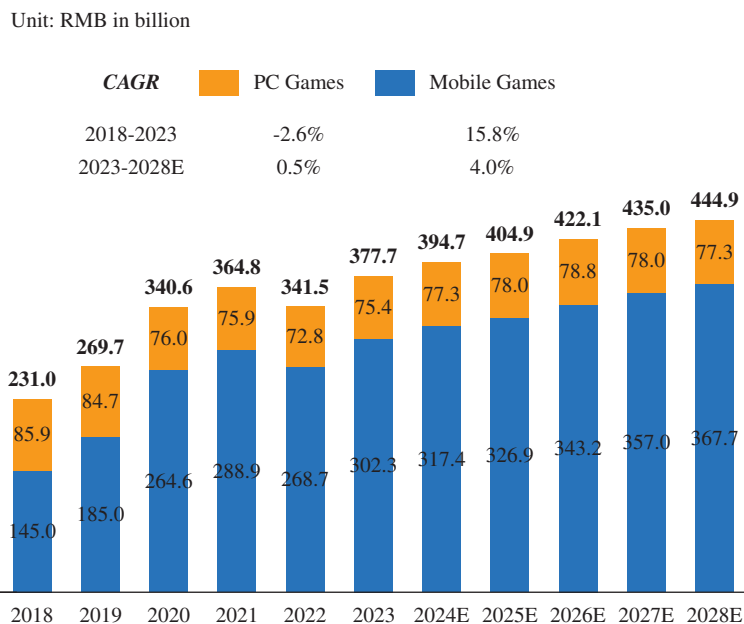
*The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Analysys, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Analysys to prepare the Analysys Report, an independent industry report, in connection with the [REDACTED]. We believe that the sources of the information in this section are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

### OVERVIEW OF MOBILE GAME MARKET

#### Overview

China’s online game market was the largest in the world in terms of customer spending in 2023, with a market size of RMB377.7 billion. Driven by increasing demand for cultural, leisure, and recreational activities, continued innovation and development of the game industry as well as favorable industry policies, China’s online game market has increased steadily from RMB231.0 billion in 2018 to RMB377.7 billion in 2023, at a CAGR of 10.3%, and is expected to continue growing to RMB444.9 billion in 2028. In particular, China’s mobile game market is an increasingly prominent segment within China’s online game market. It grew rapidly at a CAGR of 15.8% from RMB145.0 billion in 2018 to RMB302.3 billion in 2023, and is expected to reach RMB367.7 billion in 2028. The diagram below presents a breakdown of the market size of China’s online game industry:

#### Online game market in China (2018-2028E), in terms of customer spending\*



## INDUSTRY OVERVIEW

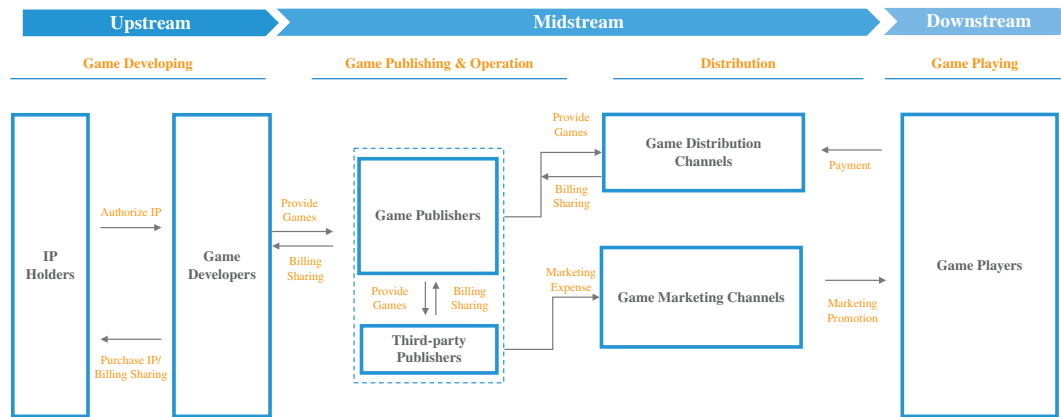
Sources: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (“GPC”), *Analysys Report*

Note: Customer spending of the mobile games represents gross billings of such games.

In China, mobile game players constitute a substantial majority of online game players. The number of mobile game players in China grew significantly, from 620.0 million in 2018 to 666.9 million in 2023. It is expected that this figure will reach 725.1 million in 2028. A majority of these players are young, with about 55.1% of them aged 30 years or below, residing broadly in different tiers of cities in 2023.

### Market Value Chain

In China, the mobile game market involves several key stakeholders, including game developers, game publishers, game distribution channels, and game players. Many game companies participate in one or more roles of the value chain, for example, by participating in both self-development and publishing of games and joint development and publishing of games. The following chart illustrates the value chain of the mobile game market:



Source: *Analysys Report*

- **Game developers:** Game developers are companies responsible for designing and developing mobile games, as well as providing technical support for ongoing game updates. While it is not necessary for game developers to hold ownership of the intellectual property for the mobile games they create, there are also cases where the ownership of the intellectual property may belong to other parties such as the game publisher, or may be shared between multiple parties through licensing or other agreements.

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## INDUSTRY OVERVIEW

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- **Game publishers:** Game publishers are generally responsible for launching, promoting and marketing mobile games, as well as overseeing their day-to-day operations.
- **Third-party publishers:** Third-party publishers are companies that work together with game publishers to promote mobile games and expand distribution channels to reach to a wider user base. They generally promote games under the authority of the game publisher.
- **Game distribution channels:** These are platforms that provide users with game download and upgrade services, mainly including application stores and professional game platforms such as the iOS App Store, Google Play, Tencent MyApp, and TapTap.
- **Game Marketing Channels:** Game marketing channels include social media, game forums, and other platforms, which serve to enhance the visibility of the game and attract players.
- **Game players:** They are individuals who play games and pay for virtual items for a better gaming experience.

### Lifecycle

The lifecycle of mobile games typically includes three stages, namely, growth stage, maturity stage and recession stage.

- **Growth stage:** Growth stage refers to a period which we build up an game player base and achieves market coverage. Approximately 30% of a mobile game’s expected lifecycle is in its growth stage.
- **Maturity stage:** Maturity stage refers to a period where the game continues to generate gross billings and player numbers remain relatively stable. Approximately 50% of a mobile game’s expected lifecycle is at its maturity stage.
- **Recession stage:** Recession stage refers to a period where some players may gradually lose interest, resulting in a significant decline in both the number of active players and the game’s gross billings. Approximately 20% of a mobile game’s expected lifecycle is at its recession stage.

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## INDUSTRY OVERVIEW

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The lifecycle of mobile games can be influenced by various factors, including game attractiveness, marketing and promotional efforts, and the operational capabilities of publishers, among others. On average, RPGs tend to have a longer expected lifecycle compared to other game genres. In general, RPG games in China have a lifecycle ranging from ten months to 24 months. High-quality RPGs can typically operate for significantly longer periods than the industry average, as the attractive story setting, character development and dynamic character interaction in these popular games can continuously attract players and encourage them to play for longer and pay for in-game items. Given their continued strong performance (for instance, maintaining high gross billings) and popularity, these games are expected to continue operating for a long time, as long as the game operators maintain the same high level of operation quality.

### Key Trends and Drivers of China’s Mobile Game Industry

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

- ***Industrialization of game process.*** Throughout the entire lifecycle of game development, publishing, and operation, game companies can accumulate valuable R&D and operational data with the assistance of AI-empowered supporting systems. Leveraging such data, game companies can implement work streams that are not only reproducible but also automated and intelligent. This transformation helps cut down on game development time and costs, boosts the efficiency of game development, publishing and operation. Also, with the analysis of operational data, these companies are able to make upgrades and optimizations, leading to more appealing games and enhanced players’ experiences.
- ***Increasing demand for innovative and quality game products.*** The mobile game market is constantly evolving, driven by the increasing demand for diverse and high-quality game products. The quality of a game is a crucial factor in determining user engagement and willingness to pay, as players are attracted to diverse and fun gameplay experiences. Additionally, there has been a rise in popularity for mobile games that draw inspiration from Chinese ancient culture, which are expected to extend cultural value and appeal to a wider audience.
- ***Increasing consumption and willingness to pay by mobile game players.*** As per capita disposable income continues to rise along with diversification of game genres, improvement in social interaction among players through forums, communities, and social media, improvement of game quality (such as graphics and music), game players in China are showing a growing willingness to pay for attractive and customized in-game items, such as in-game virtual items. The young generation, who are 24 years old or younger, are generally willing to share game experience with other players on various game community platforms, making these platforms an increasingly important gathering place for game players.

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## INDUSTRY OVERVIEW

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- ***Various forms of advertisements attract new players.*** In addition to traditional display advertisements, there are various forms of social media advertisements on Douyin, WeChat, Xiaohongshu and other platforms, that are more targeted and customized to attract new players. For example, in-feed advertisements in WeChat are part of the user flow, they are non-intrusive and are high-customized, resulting in higher user engagement and better conversion rates compared to traditional display advertisements. By utilizing precision marketing, these advertisements can effectively reach a large audience of potential players on high monthly active user apps.
- ***Overseas market exploration.*** An increasing number of China’s mobile game companies are venturing into overseas markets to tap into potential opportunities. Many Chinese game companies have accumulated professional knowledge of overseas markets and understanding of local taste and preference, which greatly assists them in conquering overseas markets. Their growing influence has led to a growing market share and user base. Consequently, these game operators often release games that are refined and tailored to local audiences, which creates new growth opportunities for the mobile game industry.
- ***Popularity of instant games and idle games.*** Modern mobile gamers often lack ample time for gaming. They prefer games that offer quick enjoyment and relaxation during brief breaks, without a major time or energy commitment. In recent years, instant games are trendy, which allow game players to have quick access without downloads. While idle games require less time and efforts, aligning with the desire to play games in fragmented free time.

### Entry Barriers of China’s Mobile Game Industry

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

- ***Capability of self-development and technological innovations.*** A strong R&D team is essential for the success of mobile game products. Market players regularly iterate and upgrade their games and introduce new content to engage and retain game players, as the player preference and tastes are constantly evolving. Continuous investments in R&D and infrastructure is essential for mobile game companies to better understand the needs and expectations of players. As such, having an in-house R&D team with strong technical abilities and know-how is important. However, it may take a long time and significant investment for new entrants to establish a professional team or acquire technology know-how for new entrants.
- ***Capability of precise marketing and promotions.*** The mobile game industry is extremely competitive, with rapid market changes. Game companies need precise marketing strategies to increase the visibility of the game and effectively attract potential players to download and purchase in-game items. However, precise



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## INDUSTRY OVERVIEW

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marketing often relies on a large amount of game data analysis, to ensure high-quality recommendations and precise marketing strategies. Thus, it poses an entry barrier for a new game company with limited track record to gain large amount of game data and form precise marketing plans.

- ***Capability for strengthening distribution channel connections.*** The ability to forge and strengthen connections with game distribution channels represents significant entry barrier for mobile game companies. These connections, often accrued over long periods, provide several advantages like increased gross billings, better player acquisition, and greater game visibility. Additionally, they offer opportunities to collect invaluable player feedback for enhancing game quality. However, establishing such relationships takes time and is a product of long-term networking efforts. New entrants, lacking these established relationships, face the daunting task of building connections from scratch while competing against companies with existing, robust ties to these platforms.
- ***Capability of talent acquisition and retention.*** For mobile game companies, entering the industry entails substantial barriers, primarily around talent acquisition and development. Companies must attract technical specialists knowledgeable in mobile gaming technologies, develop an understanding of player preferences and market trends, while facing stiff competition for such talents. Such specialists ensure the game companies’ ability to continuously roll out new quality games and upgrade existing games. These factors combine to necessitate significant investments of time and resources, creating a substantial hurdle for new entrants.

## MAJOR GENRES OF MOBILE GAMES

Mobile games can be classified into various genres based on dynamic game rules and players’ experiences. The major genres of mobile games include:

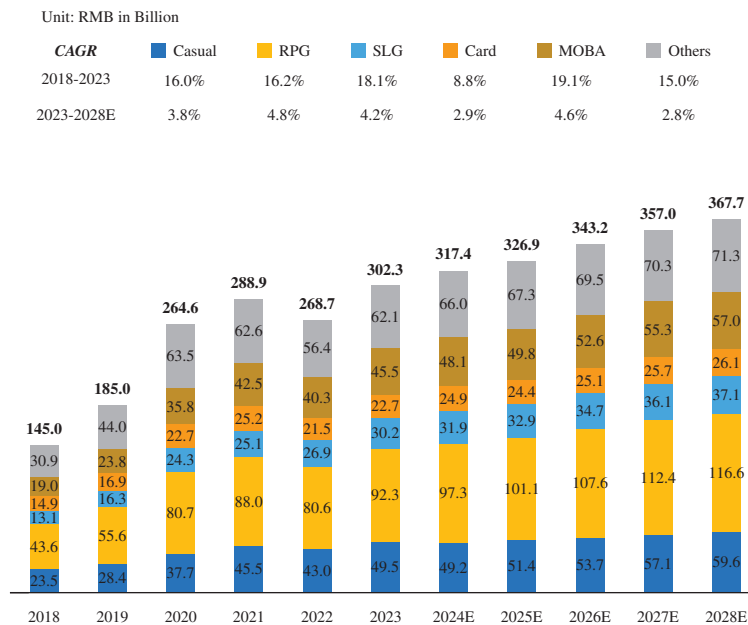
- **RPG (role-playing game):** a genre of games in which a player assumes the role of a character, interacts with others in an evolving fantasy or fictional world and takes responsibility of the character’s actions, which generally has longer lifecycle as compared to casual games. ARPGs (action RPGs) constituted the largest market in China’s RPG mobile game market, accounting for approximately 68.1% in 2023. These games feature direct control of a single character in real-time combat with a strong focus on action. China’s RPG market increased from RMB43.6 billion in 2018 to RMB92.3 billion in 2023 at a CAGR of 16.2%, and is expected to reach RMB116.6 billion in 2028.

## INDUSTRY OVERVIEW

- **SLG (simulation and strategy games):** a genre of games that combine the meticulous planning of strategy games with the immersive environments of simulations.
- **Card game:** a genre of games that are played using specially designed sets of playing cards that combine the appeal of collecting with strategic gameplay. Players can collect or trade cards within the game.
- **MOBA (multiplayer online battle arena):** a genre of games in which each player controls a single character, usually from an isometric perspective on an equidistant map, as part of a team competing against another team of players, with the ultimate goal to destroy the opposing team’s main structure.

The diagram below presents a breakdown of China’s mobile game market in terms of customer spending by game genre.

**Market segmentation of mobile game in China (2018-2028E),  
by genre in terms of customer spending**



Sources: GPC, Analysys Report

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## INDUSTRY OVERVIEW

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### TECHNOLOGY ECOSYSTEM OF MOBILE GAMES

Mobile games generally can be categorized into APP games and instant games based on their technology ecosystem.

#### APP Games

APP games are developed based on native development languages, such as Swift, Kotlin, or cross-platform frameworks, such as Unity, and run on mobile devices and need to be downloaded and installed through app stores. APP games support complex graphics rendering, advanced interactive features, and rich gameplay mechanics. China’s APP game market increased from RMB143.1 billion in 2018 to RMB271.2 billion in 2023, at a CAGR of 13.6%, and is expected to decrease to RMB241.6 billion in 2028.

#### Instant Games

Instant games are developed based on HTML5, and other similar technologies, and are designed to be embedded in mini-programs of various online platforms without the need for separate installation, such as WeChat, Douyin, Alipay. In a few instances, developers of instant games will transform the games into App format and offer for downloads through app stores. Instant games are easily accessible and convenient, making them suitable for entertainment during fragmented leisure time. In recent years, instant games have become a new trend. China’s instant game market increased from RMB1.9 billion in 2018 to RMB31.1 billion in 2023, at a CAGR of 74.9%, and is expected to reach RMB126.1 billion in 2028 at a CAGR of 32.3%.

### PLAYING PATTERNS OF MOBILE GAMES

Mobile games generally can be classified by playing patterns, such as idle games and non-idle games.

#### Idle Game

Idle games are one of the fastest-growing sectors in terms of customer spending, indicating its strategic importance and market potential. Idle games don’t demand complex actions from game players. They can be played almost autonomously with minimal player action. Players only need to click on the game to progress through the storyline, while the game continues to run automatically, allowing players to experience the core of the game at their own pace and continuously progress their profiles within the game. Driven by wide population coverage, high retention rate and diverse game type combination, China’s idle game market increased from RMB6.7 billion in 2018 to RMB29.5 billion in 2023, at a CAGR of 34.6%, and is expected to reach RMB41.2 billion in 2028 at a CAGR of 6.9%.

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## INDUSTRY OVERVIEW

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### Non-idle Game

Non-idle game generally include role control games, competition games, resource management games, tower defense games and others. Non-idle games require players to be actively engaged and perform a variety of tasks. These games often involve complex operations, strategic planning, and real-time decision-making. Players must invest significant time and effort to progress, mastering skills and overcoming challenges through continuous interaction and engagement with the game mechanics.

### GAME THEMES OF RPG GAMES

RPGs involve a wide variety of game themes. The popular RPG themes in China mainly include, among others, Chinese ancient culture, Japanese ACG, western fantasy.

#### Chinese Ancient Culture

Chinese ancient cultural PRG games root in Chinese mythology or inspired by traditional Chinese martial arts and chivalry, focusing on the journey of cultivation, where players progress through various stages to achieve immortality or pursue justice or revenge, capturing the essence of classic martial arts novels and films. Chinese ancient cultural PRG game market increased from RMB14.8 billion in 2018 to RMB39.0 billion in 2023, at a CAGR of 21.4%, and is expected to reach RMB52.8 billion in 2028.

#### Japanese ACG

Japanese ACG originates from Japanese animation, comic, game, novel (ACGN) culture. It is characterized by its rich fantasy worldviews, vivid character designs, and unique visual styles. In Japanese ACG games, players typically assume the role of or control one or more characters, entering a game world filled with elements of magic, technology, mythology, or modern fantasy. They advance the storyline by completing quests, engaging in battles, and developing their characters. Japanese ACG game market increased from RMB11.3 billion in 2018 to RMB23.5 billion in 2023, at a CAGR of 15.7%, and is expected to reach RMB29.1 billion in 2028.

#### Western Fantasy

Western fantasy draws inspiration from western literature, mythology, and folklore. These games typically feature rich, immersive worlds filled with magic, mythical creatures, and epic quests. Western fantasy RPG game market increased from RMB11.3 billion in 2018 to RMB18.3 billion in 2023, at a CAGR of 10.1%, and is expected to reach RMB19.2 billion in 2028.

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF CHINA’S MOBILE GAME INDUSTRY

Competition in China’s mobile game market is intense, with a handful of dominant players and thousands of smaller companies vying for a share of the market. In China’s mobile game market, the top five mobile game companies with integrated development, publishing and operation capabilities collectively held a market share of about 58.8% in terms of customer spending in 2023. We ranked sixth among these market players with a market share of 1.8% in terms of customer spending in 2023. The following table shows the top six mobile game companies with integrated development, publishing and operation capabilities in terms of customer spending in 2023.

Ranking	Company Name	Introduction	Gross Billings <i>(RMB in billions)</i>	Market Share <i>% (in domestic market)</i>
1	Company A	Founded in 1998, it is a Chinese internet and technology company listed in Hong Kong, and headquartered in Shenzhen. It develops innovative products and services, and its communication and social services connect more than one billion people around the world	94.2	31.1%
2	Company B	Founded in 1997, it is a leading internet and game services provider centered around premium content. It is listed in the Nasdaq and Hong Kong, and headquartered in Hangzhou. It develops and operates some popular mobile and PC games available in China and globally	51.2	16.9%
3	Company C	Founded in 2011, it is an internet company headquartered in Shanghai, that creates products such as animation, comics, games, and novels around original IPs	14.8	4.9%
4	Company D	Founded in 2011, it is a game company listed in Shenzhen, and headquartered in Guangzhou. In addition to mobile games, it is also actively expanding in the fields of artificial intelligence, film and television, animation, music, etc.	9.7	3.2%
5	Company E	Founded in 2017 with its headquarter in Guangzhou. It focuses on game development and operations, and has launched mobile games that have gained recognition globally.	8.3	2.7%
6	<b><i>Our Group</i></b>	–	5.5	1.8%

*Source: Analysys Report*

*Note: Gross billings in the table only include gross billing from the domestic mobile game market.*

## INDUSTRY OVERVIEW

We ranked third among all mobile game companies in China in terms of customer spending from RPG games in 2023. The following table shows the top five mobile game companies in the RPG genre in terms of customer spending in 2023.

Ranking	Company Name	Introduction	Gross Billings (RMB in billions)	Market Share % (in domestic market)
1	Company B	Founded in 1997, it is a leading internet and game services provider centered around premium content. It is listed in the Nasdaq and Hong Kong, and headquartered in Hangzhou. It develops and operates some popular mobile and PC games available in China and globally	29.3	31.7%
2	Company C	Founded in 2011, it is an internet company headquartered in Shanghai, that creates products such as animation, comics, games, and novels around original IPs	10.5	11.3%
3	<i>Our Group</i>	–	5.5	6.0%
4	Company A	Founded in 1998, it is a Chinese internet and technology company listed in Hong Kong, and headquartered in Shenzhen. It develops innovative products and services, and its communication and social services connect more than one billion people around the world	3.8	4.1%
5	Company F	Founded in 2004, it is a game company listed in Shanghai, and headquartered in Xiamen. It is specialized in the creative planning, research and development, production, and commercial operation of online games	2.1	2.3%

*Source: Analysys Report*

*Note:* Gross billings in the table only include gross billing of RPG games from the domestic mobile game market.

We ranked second among all mobile game companies in China in terms of customer spending from Chinese ancient cultural RPGs in 2023. The following table displays the top five mobile game companies in the Chinese ancient cultural RPGs based on gross billings in 2023.

## INDUSTRY OVERVIEW

Ranking	Company Name	Introduction	Gross Billings <i>(RMB in billion)</i>	Market Share <i>% (in domestic market)</i>
1	Company B	Founded in 1997, it is a leading internet and game services provider centered around premium content. It is listed in the Nasdaq and Hong Kong, and headquartered in Hangzhou. It develops and operates some popular mobile and PC games available in China and globally	8.1	20.7%
2	<b><i>Our Group</i></b>	–	5.2	13.0%
3	Company F	Founded in 2004, it is a game company listed in Shanghai, and headquartered in Xiamen. It is specialized in the creative planning, research and development, production, and commercial operation of online games	2.5	6.4%
4	Company G	Founded in 2006, it is an internet company headquartered in Guangzhou, focusing on PC games and mobile games	2.0	5.1%
5	Company H	Founded in 2004, it is a cultural entertainment company listed in Shenzhen, and headquartered in Beijing. Currently, the group covers business sectors, such as film and television, games, cinema chains, animation, education, etc.	1.4	3.6%

*Source: Analysys Report*

*Note:* Gross billings in the table only include gross billings of Chinese ancient cultural RPGs from the domestic mobile game market.

## INDUSTRY OVERVIEW

We ranked first among all mobile game companies in China in terms of customer spending of instant games in 2023. The following table shows the top five mobile game companies in terms of gross billings derived from instant games in 2023.

Ranking	Company Name	Introduction	Gross Billings <i>(RMB in billion)</i>	Market Share <i>% (in domestic market)</i>
1	<i><b>Our Group</b></i>	–	5.1	16.4%
2	Company D	Founded in 2011, it is a game company listed in Shenzhen, and headquartered in Guangzhou. In addition to mobile games, it is also actively expanding in the fields of artificial intelligence, film and television, animation, music, etc.	4.3	13.8%
3	Company I	Founded in 2010, it is a game company headquartered in Beijing, focusing on mobile games, especially instant games	3.4	10.9%
4	Company J	Founded in 2016, and headquartered in Hainan. It is an internet technology company dedicated to developing high-end, premium mobile games. It is a key internet enterprise in Hainan Province, and the supervisory enterprise of the Hainan Game Industry Association	2.2	7.1%
5	Company K	Founded in 2013 and headquartered in Beijing. It is an interactive entertainment provider in China. It publishes its self-developed games, mainly focusing on strategy and casual games. It has received multiple recommendations from mainstream global app stores.	1.6	5.1%

*Source: Analysys Report*

*Note:* Gross billings in the table only include gross billing of instant games from the domestic mobile game market.



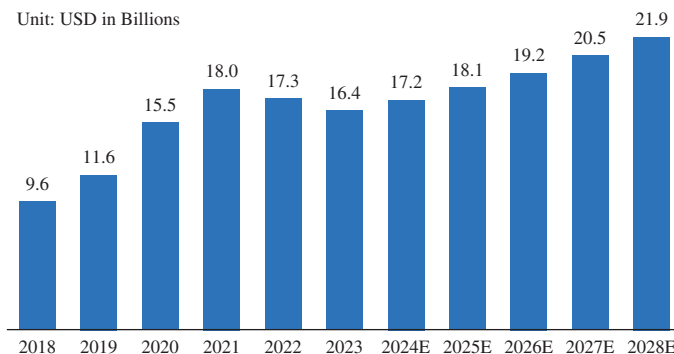
## INDUSTRY OVERVIEW

### OVERVIEW OF CHINA’S MOBILE GAMES GOING OVERSEAS

The global mobile game market in terms of customer spending increased from USD70.8 billion in 2018 to USD100.6 billion in 2023, at a CAGR of 7.3%, which is expected to grow to USD116.2 billion in 2028. The trend of growing global market continues to impact China’s mobile game companies. The increasing demand in overseas mobile game markets, combined with the intensifying competition in China’s mobile game market, has led companies to look towards other markets for growth.

In recent years, many domestic mobile game companies have implemented overseas expansion strategies. The overseas market of such PRC mobile games has increased from USD9.6 billion in 2018 to USD16.4 billion in 2023, and is expected to reach USD21.9 billion in 2028.

#### Overseas market of PRC mobile games, in terms of customer spending



Source: *Analysys Report*

### SOURCE OF INFORMATION

We commissioned *Analysys*, an independent market research and consulting firm, to conduct a detailed research on the mobile game industry in China from 2018 to 2028. The report commissioned has been prepared by *Analysys* independent of our influence.

*Analysys* is an independent market research and consulting firm, which was founded in Beijing, China in 2000. It is a professional technology and market analysis firm in the area of China’s digital intelligence, which offers big data analytics and consulting services to improve clients’ digital business capabilities and their market competitiveness. We have agreed to pay a fee of RMB855,000 to *Analysys* in connection with the preparation of the *Analysys Report*. We have extracted certain information from the *Analysys Report* in this section, as well as in the sections headed “Summary”, “Risk Factors”, “Business”, “Financial Information” and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

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## INDUSTRY OVERVIEW

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Analysys’s main sources of data and information consist of both primary and secondary sources. Primary source involved (i) Analysys’s own data base from its market observance; (ii) user data detected by Analysys’s proprietary data monitor Apps; and (iii) in-depth interviews with experts and leading industry participants. Secondary source involved reviewing information from data and publication from publicly-available sources, including official data from government agencies, company reports, and publicly-available interviews. Interviews with industry experts and leading industry participants are conducted on a best-effort basis to collect information in aiding in-depth analysis for this report. Under circumstances where information is not available, Analysis will be leveraged using appropriate models and indicators to arrive at an estimate. Analysys has exercised due care in collecting and reviewing the information so collected.

In compiling and preparing the Analysys Report, Analysys adopted the following bases and assumptions: (i) the political, economic and social environment in the PRC remains stable, which ensures the continuous development of China’s mobile game market; (ii) the PRC government continues supporting the development of China’s mobile game market; and (iii) global and domestic mobile game market will be driven by the factors stated in the report. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there has been no adverse change in market information since the date of the Analysys Report, which may qualify, contradict or impact the information disclosed in this section.

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## REGULATORY OVERVIEW

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

### REGULATIONS RELATING TO FOREIGN INVESTMENT

#### Foreign Investment Industrial Policy

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》(2022年版), the “**Encouraged Catalog**”), and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024) (《外商投資准入特別管理措施(負面清單)》(2024年版), (the “**Negative List**”), which were both jointly promulgated by the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Commerce (the “**MOFCOM**”) and each became effective on January 1, 2023 and on November 1, 2024, respectively. The Negative List sets out the industries in which foreign investments are prohibited or restricted. According to the Negative List, the proportion of foreign investments in entities engaged in value-added telecommunications business (except for electronic commerce, domestic multi-party communication, store-and-forward and call center) shall not exceed 50% and the operation of internet culture business (excluding music) remains as prohibited areas for foreign investment.

#### Foreign Investment Law and the Implementation Measures

On March 15, 2019, the National People’s Congress of the PRC (the “**NPC**”) promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the “**FIL**”), which became effective on January 1, 2020 and replaced the major laws and regulations governing foreign investment in the PRC. Pursuant to the FIL, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within the PRC, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (1) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (2) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (3) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (4) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the Negative List. The FIL provides that foreign invested entities operating in foreign “restricted” or “prohibited” industries will require entry clearance and other approvals. The FIL does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities, however, it has a catch-all provision under definition of “foreign investment” to include investments made by foreign investors in the PRC through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

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## REGULATORY OVERVIEW

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On December 26, 2019, the State Council issued Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”), which came into effect on January 1, 2020, provides implementing measures and detailed rules to ensure the effective implementation of the FIL.

On December 30, 2019, MOFCOM and the State Administration for Market Regulation (the “**SAMR**”) jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in the PRC directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

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

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## REGULATORY OVERVIEW

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### REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

#### Licenses for Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), which were promulgated by the State Council on September 25, 2000 and last amended with immediate effect on February 6, 2016, provides the regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations classifies telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Services (《電信業務分類目錄》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry of the PRC (the “**MIIT**”, which is the predecessor of the Ministry of Industry and Information Technology, the “**MIIT**”) on February 21, 2003 and last amended on June 6, 2019, information services provided via fixed network, mobile network and Internet fall within the scope of value-added telecommunications services.

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 amended on January 8, 2011 and last amended on January 20, 2025, requires that a commercial operator of Internet information provision services must obtain a value-added telecommunications business operating license for the provision of Internet information services from the appropriate telecommunications authorities.

The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 1, 2009 and amended on July 3, 2017, sets forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. According to the Licenses Measures, a VATS license has a term of five years.

#### Restrictions on Foreign Investment

The Regulations for 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 with immediate effect on February 6, 2016, requires foreign-invested value-added telecommunications enterprises in the PRC to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interest of such an enterprise. In addition, the main foreign investor who invests in such an enterprise shall demonstrate a good track record and experience in such industry. Moreover, the joint ventures must obtain approvals from MIIT and MOFCOM, or their authorized local counterparts, before launching the value-added telecommunications business in the PRC. On April 7, 2022, the State Council issued the Decision to Amend and

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## REGULATORY OVERVIEW

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Abolish Certain Administrative Regulations (《關於修改和廢止部分行政法規的決定》), which made amendments to the FITE Regulations, including, among others, removing the performance and operational requirements (i.e., positive track record and experience in providing such services) for main foreign investors that invest in PRC companies conducting value-added telecommunications business as set out in the FITE Regulations. The amended FITE Regulations took effect on May 1, 2022.

Pursuant to the Ministry of Information Industry Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Services (《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 “**MII Notice**”), issued by the MII, on July 13, 2006, domestic value-added telecommunications enterprises were prohibited to rent, transfer or sell licenses for value-added telecommunications services to foreign investors in any form, or provide any resources, premises, facilities or other assistance in any form to foreign investors for their illegal operation of any value-added telecommunications business in the PRC. In addition, under the MII Notice, the internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

### REGULATIONS ON GAMES PUBLISHING AND OPERATION

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

Pursuant to the revised Interim Measures on the Administration of Internet Culture (《互聯網文化管理暫行規定》) (the “**Internet Culture Measures**”) amended by the MOC on December 15, 2017, “internet culture products” are defined as including the online games specially produced for internet and games disseminated or distributed through internet, and provision of internet culture products and related services for commercial purpose is subject to the approval of the provincial counterparts of the MOC.

In accordance with applicable PRC laws and regulations, the current pre-approval from the press and publication authorities includes a two-stage process, (i) approval from the press and publication authorities at the provincial level, followed by (ii) final approval from the press and publication authority at the national level. The Central Committee of the Communist Party

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of China issued the Plan for Deepening the Institutional Reform of the Party and State (《深化黨和國家機構改革方案》) and the NPC adopted the Institutional Reform Plan of the State Council (《國務院機構改革方案》) in March, 2018 (collectively, the “**Institutional Reform Plans**”). According to the Institutional Reform Plans, the responsibility of administration of press and publication of the SAPPRT was transferred to the National Administration of Press and Publication (國家新聞出版署) (the “**NPPA**”) (also under the name of Propaganda Division of the Central Committee of the Communist Party of China as a department of the Communist Party of China), and the responsibility of administration of radio and television of the SAPPRT was transferred to the National Radio and Television Administration (中華人民共和國國家廣播電視總局) (the “**NRTA**”), a newly-formed institution directly under the charge of the State Council. Furthermore, the MOC was reformed and now known as the Ministry of Culture and Tourism (文化和旅遊部) (the “**MOCT**”).

In May 2019, the General Office of the MOCT released the Notice on Adjusting the Scope of Examination and Approval regarding the “Internet Culture Operation License” to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》) (the “**Notice of Adjusting Examination Scope**”), which quotes the Regulations on the Function Configuration, Internal Institutions and Staffing of the MOCT (《文化和旅遊部職能配置、內設機構和人員編制規定》) and further specifies that the MOCT no longer assumes the responsibility for the administration of online games industry and no longer approves and issues the Internet Culture Operation Licenses within the business scope of “operating online games via the internet,” “operating online games via the internet (including the issuance of virtual currencies used for online games)” and “conducting trade of virtual currencies used for online games via the Internet”, and a currently valid Internet Culture Operation License will remain valid until it expires. On July 10, 2019, the MOCT issued the Decision on the Abolition of the Interim Measures on Administration of Online Games and the Administrative Measures for Tourism Development Plan (《關於廢止〈網絡遊戲管理暫行辦法〉和〈旅遊發展規劃管理辦法〉的決定》) (the “**Abolition Decision**”). The Abolition Decision also cites the Regulations on the Function Configuration, Internal Institutions and Staffing of the MOCT and further abolishes the Interim Measures on Administration of Online Games, which means that the MOCT will no longer regulate the industry of the online games. However, as of the Latest Practicable Date, it is still unclear as to whether the supervision responsibility of the MOCT will be transferred to another governmental department or whether such governmental department will raise similar or new supervision requirements for the operation of online games.

The Notice of the GAPP, the State Copyright Administration and National Anti-Pornography and Anti-Illegal Publications Working Group Office on Implementing the “Regulation on Three Provisions” of the State Council and the Interpretations Edited by the SCOPSR to Further Strengthen the Pre-Approval of Online Games and the Approval and Management of Imported Online Games (新聞出版總署、國家版權局、全國“掃黃打非”工作小組辦公室關於貫徹落實國務院《“三定”規定》和中央編辦有關解釋,進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知) (the “**GAPP Notice**”), promulgated by the GAPP, together with the National Copyright Administration and the Office of the National Working Group for Crackdown on Pornographic and Illegal Publications, on September 28, 2009,

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provides, among other things, that foreign investors are not permitted to invest or engage in online game operations in China through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual agreements or providing technical support. Therefore, both the internet publishing services (including the online game publishing) and internet culture operation (including the online game operation) fall within the prohibited categories in the Negative List. Serious violation of the GAPP Notice will result in suspension or revocation of relevant licenses and registrations.

### Regulations on Games Publishing

On February 4, 2016, the SAPPRFT and the MIIT issued the Administrative Measures on Internet Publishing Services (《網絡出版服務管理規定》) (the “**Internet Publishing Measures**”), which took effect from March 10, 2016. Pursuant to the Internet Publishing Measures, online publications such as games provided to the public through information networks must be approved by the SAPPRFT and obtain an online publishing service license (《網絡出版服務許可證》) (the “**Publishing License**”). Before publishing an online game, an online publishing service provider shall file application with the competent provincial-level publishing administrative department where it is located and the application, if reviewed and approved, shall be submitted to the SAPPRFT for approval. According to the Internet Publishing Regulations, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and foreign entities shall not engage in internet publishing services.

On May 24, 2016, the SAPPRFT promulgated 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 became effective as of July 1, 2016. The Mobile Game Notice provides that game publishing services providers shall be responsible for examining the contents of their games and applying for game publication numbers (遊戲出版物號). An online game shall not be published without the prior approval of the SAPPRFT.

### Regulations on Games Operation

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

On June 3, 2010, the MOC promulgated the Interim Measures on Administration of Online Games (《網絡遊戲管理暫行辦法》) (the “**Online Game Measures**”), which comprehensively regulate the activities related to online game business, including the research and development and production of online games, the operation of online games, the standards for online games content, the issuance of virtual currencies used for online games and virtual currency trading services. All operators of online games, issuers of virtual currency and providers of virtual currency trading services are required to obtain Internet Culture Operation



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Licenses. The Online Game Measures also requires online game operators to protect the interests of the online game players and specified certain terms that must be included in the service agreements between online game operators and its online game players. The Notice of the MOC on the Implementation of the Interim Measures for the Administration of Online Games (文化部關於貫徹實施《網絡遊戲管理暫行辦法》的通知) which was took effect on July 29, 2010 specifies the entities regulated by the Online Game Measures and procedures related to the MOC’s review of the content of online games, and emphasizes the protection of minors playing online games and requests online game operators to promote real-name registration by their game players. On July 10, 2019, the MOCT issued the Abolition Decision, which specifies that the Online Game Measures was abolished by the MOCT on July 10, 2019.

### REGULATIONS ON VIRTUAL CURRENCY AND VIRTUAL ITEMS

On January 25, 2007, the Ministry of Public Security (the “MPS”), the MOC, the MIIT and the GAPP jointly issued Notice on Regulating Operation Order of Online Games and Inspection of Gambling via Online Games (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》) (the “**Antigambling Notice**”). To curtail online games that involve online gambling and address concerns that virtual currency might be used for money laundering or illicit trade, the Anti-gambling Notice (a) prohibits online game operators from charging commissions in connection with winning or losing of games in the form of virtual currency; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players.

On February 15, 2007, the MOC, the People’s Bank of China and 12 other PRC regulatory authorities jointly issued the Notice on Further Strengthening Administration of internet Cafés and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》) (the “**Internet Cafés Notice**”) with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system. The Internet Cafés Notice places strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Internet Cafés Notice further provides that virtual currency should only be used to purchase virtual items and prohibits any resale of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening Administration of Virtual Currency of Online Games (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “**Virtual Currency Notice**”). Pursuant to the Virtual Currency Notice, it defines the meaning of the term “virtual currency” and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are also not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for players’ cash or virtual money.

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### REGULATIONS ON REAL-NAME REGISTRATION AND ANTI-ADDICTION

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, jointly issued the Notice Regarding the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors (《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》) (the “**Anti-addiction Notice**”), which requires the implementation of an anti-addiction compliance system by all PRC online game operators in an effort to curb addiction to online games by minors. Under the anti-addiction compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be “healthy”, three to five hours is deemed “fatiguing”, and five hours or more is deemed “unhealthy”. Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of time a game player spends online has reached the “fatiguing” level, and to zero in the case of the “unhealthy” level. On January 15, 2011, the MOC and several other government authorities jointly issued the Notice on Implementation Program of Online Game Monitoring System of the Guardians of Minors (《關於印發〈「網絡遊戲未成年人家長監護工程」實施方案〉的通知》), which requires online game operators to adopt certain measures to maintain an interactive system for the protection of minors.

To identify whether a game player is a minor and thus subject to the anti-addiction compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to Notice on Initializing the Verification of Real-name Registration for Anti-addiction System on Online Games (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》) (the “**Commencement of Real-name Authentication Notice**”) issued by the relevant eight government authorities on July 1, 2011, online game (excluding mobile game) operators must submit the identity information of game players to the National Citizen Identity Information Center, for verification since October 1, 2011, in an effort to prevent minors from using an adult’s ID to play online games. On July 25, 2014, the SAPPRFT issued the Notice Regarding Deepening Implementation of Authentication of Real Names for Anti-addiction System on Online Games (《關於深入開展網絡遊戲防沉迷實名驗證工作的通知》) (the “**Implementation of Real-name Authentication Notice**”) and effected on October 1, 2014, which specify that subject to the hardware, technology and other factors, the anti-addiction compliance system applies to all online games excluding mobile games temporarily. Additionally, according to the Notice on the Administration over Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》), mobile games are subject to the Commencement of Real-name Authentication Notice unless the mobile game to be published, among other things, does not concern themes such as politics, military, nations and religions, belongs to the class of casual puzzle domestic mobile games without plots or with simple plots and is not authorized by overseas copyright owners.

On August 30, 2018, eight PRC regulatory authorities at national government level released the Implementation Program on Comprehensive Prevention and Control of Adolescent Myopia (《綜合防控兒童青少年近視實施方案》) (the “**Implementation Program**”). As a part of the plan to prevent myopia among children, the Implementation Program plans to regulate the number of new online games and restrict the amount of time that children spend on playing electronic devices.

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

On October 17, 2020, the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “SCNPC”) revised and promulgated the Minors Protection Laws of the PRC (《中華人民共和國未成年人保護法》), which took effect on June 1, 2021 and last amended in April 2024. The chapter of “Online Protections” stipulates a series of provisions to further protect minors’ interests on the internet, among others, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, (ii) online service providers for products and services such as online games, live broadcasting, audio-video, and social networking are required to establish special management systems of user duration, access authority and consumption for minors, (iii) online games service providers must request minors to register and log into online games with their valid identity information, (iv) online games service providers must categorize games according to relevant rules and standards, notify users about the appropriate ages for the players of the games, and take technical measures to keep minors from accessing inappropriate online games functions, and (v) online games service providers may not provide online games services to minors from 10:00 P.M. to 8:00 A.M. the next day.

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

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

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 came 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 Company may be ordered to suspend our relevant business, cease our business for rectification, or revoke our relevant permits or business license. The responsible managerial personnel and other directly liable persons of the Company could be imposed monetary fines between RMB10,000 to RMB100,000.

### GAMES COMMUNITIES AND PLATFORMS

The operators of games communities and platforms shall (i) observe the relevant laws and regulations relating to value-added telecommunication services, (ii) assume the responsibility for management over the games on platforms and especially require game developers and publishers to provide prior approvals from NPPA before the commercial launch of games through platforms; (iii) observe the relevant provisions on the advertisement; and (iv) observe the Administrative Provisions on Internet Forum and Community Services (《互聯網論壇社區服務管理規定》) released by CAC on August 25, 2017 and effective from October 1, 2017.

Pursuant to the Administrative Provisions on Internet Forum and Community Services, providers of the internet forum community services are responsible for the management of platforms, including (i) enter into agreements with users, specifying that users shall not make use of the internet forum community services to publish or disseminate the illegal information and that the service providers shall ban the use of or close the relevant accounts or sections if the users commit serious violation thereof; specifying that the initiators and managers of the forum community sections shall perform the obligations corresponding to their rights and the service providers shall restrict or revoke their management privileges in accordance with the law or agreement and even ban the use of or close the relevant accounts or sections if the initiators or managers violate the laws or agreements or fail to perform responsibilities and obligations properly; (ii) strengthen the management of information disseminated by their users, cease the transmission of the illegal information forthwith, adopt the measures to remove or otherwise dispose of the illegal information, keep relevant records and timely report to the

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Cyberspace Administration of China or its local counterparts; and (iii) require users to register accounts by passing the authentication of real identity information pursuant to the principle of “real name at background, any name at foreground” and record and conduct regular verification of real identity information to section initiators and managers.

### REGULATIONS ON MOBILE INTERNET APPLICATIONS SERVICES

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications (the “**APPs**”) are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**APP Provisions**”), which was promulgated by the CAC on June 28, 2016 and became effective on August 1, 2016. The APP Provisions sets forth the relevant requirements on the APP information service providers and the APP Store service providers. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively.

App providers shall strictly fulfill their responsibilities of information security management, and perform the following duties: (1) in accordance with the principles of “real name at background, any name at foreground,” verify identities with the registered users through mobile phone numbers etc.; (2) establish and improve the mechanism for user information security protection, follow the principles of “legality, appropriateness and necessity” in collection and use of personal information, expressly state the purpose, methods and scope of information collection, and obtain the users’ consent; (3) establish and improve the verification and management mechanism for the information content; adopt proper sanctions and measures such as warning, limiting functions, suspending updates, and closing accounts, for releasing illegal information content, as appropriate; keep records and report to the competent department; (4) according to the laws, protect and safeguard users’ “rights to know and rights to choose” during installation or use; do not turn on the functions of collecting geographical location, reading address books, or using cameras or recordings, without express statement to the users and the consent of the users; do not turn on functions irrelevant to the services; do not tie up and install irrelevant Apps; (5) respect and protect intellectual property rights; do not produce or release Apps which violate others’ intellectual property rights; and (6) keep records of user log information for 60 days.

On June 14, 2022, the CAC issued a revised version of the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**Revised APP Provisions**”), which basically reflects the regulatory development since 2016 and further emphasizes that mobile internet app providers shall comply with the relevant provisions on the scope of necessary personal information when engaging in personal information processing activities. According to the Revised APP Provisions, mobile 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.

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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序備案工作的通知》), requiring APP operator engaged in Internet information services within the territory of the PRC to complete filing formalities in accordance with the Anti Telecommunications Network Fraud Law of the PRC (《中華人民共和國反電信網絡詐騙法》) and the Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》). App operators 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.

### REGULATIONS ON INTERNET SECURITY AND CENSORSHIP

On December 28, 2000, the SCNPC enacted the Decision on the Protection of Internet Security (《關於維護互聯網安全的決定》), as amended on August 27, 2009, which provides that the following activities, among others, conducted through the internet, will be subject to criminal liabilities if constituting a crime: (a) gain improper entry into any of the computer information networks relating to state affairs, national defensive affairs, or cutting-edge science and technology; (b) spread rumor, slander or other harmful information via the internet for the purpose of inciting subversion of the state political power; (c) steal or divulging state secrets, intelligence or military secrets via internet; (d) spread false or inappropriate commercial information; or (e) infringe on the intellectual property. The Ministry of Public Security issued the Administrative Measures on Security Protection for International Connections to Computer Information Networks (《計算機信息網絡國際聯網安全保護管理辦法》) on December 16, 1997 and amended it on January 8, 2011, which prohibits using internet to leak state secrets or to spread socially destabilizing content.

On December 13, 2005, the MPS issued the Provisions on the Technical Measures for the Protection of the Security of the Internet (《互聯網安全保護技術措施規定》), which took effect on March 1, 2006 and requires service providers to take proper measures including anti-virus, data back-up and other related measures, and to record and keep records of certain information about their users (such as accounts, log-in and log-out time, and internet web addresses or domain names) and to detect illegal information, stop transmission of such information, and keep relevant records in public information services.

On July 1, 2015, the SCNPC issued the PRC National Security Law (《中華人民共和國國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security 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.

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On November 7, 2016, the SCNPC issued the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017. The PRC Cybersecurity Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backups and encryption. The PRC Cybersecurity Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The PRC Cybersecurity Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The PRC Cybersecurity Law sets high requirements for the operational security of facilities deemed to be part of the PRC’s “critical information infrastructure.” These requirements include data localization, i.e., storing personal information and important data in the PRC, and national security review requirements for any network products or services that may impact national security. Among other factors, “critical information infrastructure” is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people’s livelihoods, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public services and e-government.

On March 13, 2019, The Office of the Central Cyberspace Affairs Commission and the SAMR jointly issued the Notice on App Security Certification (《關於開展App安全認證工作的公告》) and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施規則》), which encourages mobile application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users. On June 22, 2007, The Administrative Regulations for the Classified Protection of Information Security (《信息安全等級保護管理辦法》) was promulgated, according to which operating and using entities should determine the protection classification of their information systems pursuant to a classification guideline and file their classification with the Ministry of Public Security or its bureaus at or above the municipal level with subordinate districts.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued 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 request improvement on the laws and regulations related to data security, cross-border data transfer and the management of confidential information, strengthening principal responsibility for the information security of overseas listed China-based companies, strengthening standardized mechanisms for providing cross-border information, and improvement of cross-border audit regulatory cooperation in accordance with the law and the principle of reciprocity.

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

Regulations on the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**CII Protection Regulations**”), became effective on September 1, 2021. According to the CII Protection Regulations, critical information infrastructure, or the CII, refers to any important network facilities or information systems of the important industry or field such as public communication and information service, energy, transportation, water conservancy, finance, public services, e-government affairs and national defense science, which may endanger national security, people’s livelihood and public interest in the case of damage, function loss or data leakage. Regulators supervising specific industries are required to formulate detailed guidance to recognize the CII in the respective sectors, and a critical information infrastructure operator (“**CIIO**”), must take the responsibility to protect the CII’s security by performing certain prescribed obligations. For example, CIIOs are required to conduct network security test and risk assessment, at least once a year timely rectify the issues identified, and report to the regulatory authorities as required. In addition, relevant administration departments of each critical industry and sector shall be responsible to formulate eligibility criteria and determine the CIIO in the respective industry or sector. The operators shall be informed about the final determination as to whether they are categorized as CIIOs.

On November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), which stipulated that data processing entities should apply for cybersecurity review in the event that, among others, its listing in Hong Kong affects or may affect national security. On September 30, 2024, the State Council published the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》), which came into effect on January 1, 2025. The Data Security Regulations reiterate and refine the general regulations for cyber data processing activities and rules of personal information protection, important data security protection, cyber data cross-border transfer security management, and the responsibilities of online platform service providers. In addition, the officially promulgated Data Security Regulations do not specifically include the requirement that cyber data processing entities seeking a listing in Hong Kong that affects or may affect national security should apply for a cybersecurity review, as the



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requirement originally set forth in the draft regulations published on November 14, 2021. Instead, the officially promulgated regulations generally provide that cyber data processors whose cyber data processing activities affect or may affect national security shall be subject to national security review in accordance with the relevant regulations.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC regulatory authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》) which became effective on February 15, 2022 and replaced the Measures for Cybersecurity Review promulgated on April 13, 2020. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulate that network platform operators holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before listing in a foreign country (國外上市). The relevant regulatory authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security.

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

On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), effective on the date of promulgation. The provisions provide several exemptions from undergoing security assessment of data cross-border transfer, obtaining personal information protection certification or entering into standard contract for outbound transfer of personal information for businesses. These exemptions include, among others, the scenario where a data processor, other than a critical information infrastructure operator, has cumulatively transferred overseas personal information, excluding sensitive personal information, of fewer than 100,000 individuals since January 1 of the current year. A data processor, other than a critical information infrastructure operator, shall enter into a standard contract with overseas recipients for the cross-border

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transfer of personal information or obtain certification for personal information protection if since January 1 of the current year, the data processor has cumulatively transferred to overseas recipients (a) personal information of more than 100,000 but less than 1,000,000 individuals, excluding sensitive personal information, or (b) sensitive personal information of less than 10,000 individuals. The provisions also explicitly state that data processors are not required to conduct data security assessment for cross-border transfer of important data if the data has not been notified or published as important data by relevant departments or regions.

### REGULATIONS ON DATA AND PRIVACY PROTECTION

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》), which prohibit internet information service providers from collecting personal information of any user without prior consent. Internet information service providers shall explicitly inform the users of the means of collecting and processing personal information, the scope of content, and purposes. In addition, internet information service providers shall properly keep the personal information of users, if the preserved personal information of users is divulged or may possibly be divulged, internet information service providers shall immediately take remedial measures and report any material leak or potential material leak to the telecommunications regulatory authority. On October 31, 2019, the MITT issued the Notice on the Special Rectification of Apps Infringing Users’ Rights and Interests (《工業和信息化部關於開展APP侵害用戶權益專項整治工作的通知》), pursuant to which app providers were required to promptly rectify issues the MITT designated as infringing app users’ rights such as collecting personal information in violation of PRC regulations and setting obstacles for user account deactivation.

On December 28, 2012, the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) promulgated by the SCNPC emphasizes the need to protect electronic information that contains individual identification information and other private data. The decision requires internet service providers to establish and publish policies regarding the collection and use of electronic personal information and to take necessary measures to ensure the security of the information and to prevent leakage, damage or loss.

In July 2013, the MIIT promulgated the Regulations on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) (the “**Regulations on Network Information Protection**”), effective on September 1, 2013, to enhance and enforce legal protection over user information security and privacy on the internet. The Regulations on Network Information Protection require internet operators to take various measures to ensure the privacy and confidentiality of users’ information.

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The PRC Cybersecurity Law further addresses the issue on the protection of personal information, including that network operators may not disclose, tamper with, or damage users’ personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, internet operators may not provide users’ personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. The PRC Cybersecurity Law also imposes breach notification requirements that will apply to breaches involving personal information.

Pursuant 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 its obligations towards internet information security administration as required by applicable laws, and refuses to rectify when ordered, shall be subject to criminal sanctions.

Pursuant to the Notice of the Supreme People’s Court, the Supreme People’s Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》), issued on April 23, 2013, and the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen’s personal information: (i) providing a citizen’s personal information to specified persons or releasing a citizen’s personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen’s consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen’s personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen’s personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information (《App違法違規收集使用個人信息行為認定方法》) which illustrates certain common illegal practices of apps operators in terms of personal information protection, including “failure to publicize rules for collecting and using personal information,” “failure to expressly state the purpose, manner and scope of collecting and using personal information,” “collection and use of personal information without consent of users of such App,” “collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity,” “provision of personal information to others without users’ consent,” “failure to provide the function of deleting or correcting personal information as required by laws” and “failure to publish information such as methods for complaints and reporting.”

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Furthermore, the Provisions on the Cyber Protection of Children’s Personal Information (《兒童個人信息網絡保護規定》) issued by the CAC came into effect on October 1, 2019, which require, among others, that network operators who collect, store, use, transfer and disclose personal information of children under the age of 14 establish special rules and user agreements for the protection of children’s personal information, inform the children’s guardians in a noticeable and clear manner, and shall obtain the consent of the children’s guardians.

On May 28, 2020, the NPC adopted the PRC Civil Code (《中華人民共和國民法典》), which came into effect on January 1, 2021. Pursuant to the PRC Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

On June 10, 2021, the PRC Data Security Law (《中華人民共和國數據安全法》) was promulgated by the SCNPC and further took effect on September 1, 2021. According to the PRC Data Security Law, data processing activities shall be carried out in accordance with PRC laws and regulations, establishing and improving the data security management system of the whole process, organizing and carrying out data security education and training, and taking corresponding technical measures and other necessary measures to guarantee data security. Where data processing activities are carried out through the internet and other information networks, the above-mentioned data security protection obligations shall be fulfilled on the basis of the hierarchical network security protection system. In carrying out data processing activities, risk monitoring shall be strengthened, and remedial measures shall be taken immediately when data security defects, loopholes and other risks are found. In the event of a data security incident, the processors of data shall take immediate measures to deal with it, inform the user in time and report to the competent authorities in accordance with relevant provisions. The processors of important data shall, in accordance with relevant provisions, carry out regular risk assessments of their data processing activities and submit risk assessment reports to the competent authorities. The PRC Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. Any organization or individual carrying out data processing activities that violates the PRC Data Security Law shall bear the corresponding civil, administrative or criminal liability depending on the specific circumstances. On March 6, 2020, Standardization Administration issued Information security technology — Personal information security specification (2020 edition) (《信息安全技術個人信息安全規範》(2020年版)), which took effect in October 2020, according to which any entity or person who has the authority or right to determine the purposes for and methods of using or processing personal information are seen as a personal data controller. Such personal data controller is required to collect information in accordance with the applicable laws, and prior to collecting such data, the information provider’s consent is required.

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On December 13, 2022, the MIIT issued Administrative Measures for Data Security in Industry and Information Technology Sectors (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), which came into effect on January 1, 2023. According to these administrative measures, industrial and telecommunication data processors shall implement data classification and grading on a regular basis. The classification should take into account of industry requirements and characteristics, business needs, data sources, purposes and other factors, and the hierarchical grading level shall be based on the degree of harm caused to national security, public interest, the lawful rights and interests of individuals and organizations due to the tampering, destruction, leakage or illegal acquisition or illegal use of data. These administrative measures stipulate that the data in the industrial and information fields can be divided into three levels: general data, important data and core data, and stipulate that the data processors in the industrial and information fields have the obligation to file with the relevant authorities their catalogs of important data and core data in industrial and information technology sector. Furthermore, industrial and telecommunication data processors are required to establish and improve a comprehensive data classification and grading management system, implement protective measures corresponding to the levels of the data, and apply the highest level of required protection when processing different levels of data simultaneously if it is difficult to take separate protection measures. The measures also impose certain obligations on industrial and telecommunication data processors regarding the implementation of data security management system, data security management administration, data collection, storage, usage, transmission, provision, publicity, destruction, safety audits, and emergency planning, among other aspects.

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

According to the Minors Protection Laws of the PRC (2024 Revision) 《中華人民共和國未成年人保護法》(2024年修訂), information processors must follow the principles of legality, legitimacy and necessity when processing personal information of minors via internet, and must obtain consent from minors’ parents or other guardians when processing personal information of minors under age of 14. In addition, internet service providers must promptly alert upon the discovery of publishing private information by minors via the internet and take necessary protective measures.

On August 20, 2021, the SCNPC promulgated the Personal information Protection Law of PRC (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) and became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal

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information processor; (ii) purpose of processing personal information, processing method, type of personal information processed and retention period; (iii) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (iv) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorized access and personal information leakage, tampering and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organizing the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations. Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial-level shall order the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than RMB50 million or less than 5% of the previous year’s turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business license; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

On December 31, 2021, the CAC, MIIT, the MPS and the SAMR jointly issued the Administration Provisions on Algorithmic Recommendation of Internet Information Services (《互聯網信息服務算法推薦管理規定》) (the “Provisions on Algorithm Recommendation”), which became effective on March 1, 2022. The Provisions on Algorithm Recommendation stipulates that algorithm recommendation service providers shall (1) fulfill their responsibilities for algorithmic security, (2) establish and improve management systems for, among other, algorithm mechanism examination, ethical vetting in technology, user registration, information release vetting, protection of data security and personal information, anti-telecommunications and internet fraud, security assessment and monitoring, and emergency response to security incidents, and (3) formulate and disclose relevant rules for algorithm recommendation services, and be equipped with professional staff and technical support appropriate to the scale of the algorithm recommendation services. The provider of

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algorithm recommendation services shall not use the services to (1) engage in any illegal activity which may endanger national security and social public interest, disturb economic and social order, or infringe legitimate rights and interest of third parties, or (2) disseminate any information prohibited by laws or regulations. The Provisions on Algorithm Recommendation further provides that, within 10 working days of the service provision commencement date, algorithm recommendation service providers with public sentiment attributes or social mobilizing capability shall perform filing procedures through the internet information services algorithm filing system, which was launched on March 1, 2022.

### REGULATIONS RELATING TO FOREIGN EXCHANGE

#### Regulations on Foreign Currency Exchange

The PRC Foreign Exchange Administration Regulation (《中華人民共和國外匯管理條例》), which was promulgated in 1996 and last amended in August 2008 is the principle regulation on foreign currency exchange in China. According to the PRC Foreign Exchange Administration Regulations, Renminbi can be freely converted for the purpose of paying for current account items without obtaining approval from the State Administration of Foreign Exchange (the “SAFE”). However, Capital items such as overseas direct investments, repatriation of investments, investments in securities, derivative products or loans are not freely convertible unless prior approval or registration is obtained from the SAFE.

The Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the People’s Bank of China in June 1996, foreign-invested enterprises are allowed to settle, sell and pay foreign exchange on capital projects only after providing valid commercial documents and obtaining approval from the State Administration of Foreign Exchange.

The SAFE issued the Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account (《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 was amended in December 2019, and latest amended in March 2023, and the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Circular 16”) which took effect on June 9, 2016, and latest amended in December 2023, which, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, 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 business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

In October 2019, the 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》), allowing non-investment foreign enterprises to make domestic equity investment with capital funds provided that they

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do not violate the existing Special Administrative Measures for Foreign Investment Admission (Negative List) and their investment projects in China are bona fide and legitimate. The Notice of the SAFE 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》) promulgated by SAFE in April 2020 further stipulated that enterprises whose use of funds is bona fide and compliant with current administrative requirements are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of authenticity certification materials.

### **Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents**

According to the SAFE Circular on Relevant Issues Relating to Domestic Resident’s 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》), which promulgated in July 2014, domestic residents of PRC (including domestic entities and domestic resident individuals) should apply to the foreign exchange registration with SAFE and its local branch before making contributions to a special purpose company with their legally held domestic assets or interests for the purpose of investment and financing.

In February 2015, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of 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》), or the “**Circular 13**”, which was further amended in December 2019 and provided that the approval of foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment shall be directly reviewed and handled by banks. The SAFE and its branches shall no longer directly approve the above matter, but implement indirect supervision of foreign exchange registration of direct investment through banks.

### **REGULATIONS ON EMPLOYEE STOCK INCENTIVE PLANS OF OVERSEAS PUBLICLY-LISTED COMPANY**

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participation in Share Incentive Plan of Companies Listed Overseas (《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》) promulgated by SAFE in February 2012 and other relevant rules and regulations, PRC residents, including PRC citizens or non-PRC citizens who have resided continuously in China for not less than one year, must register with SAFE or its local branch and complete other statutory procedures if they participate in any stock incentive plan of any overseas listed company. Participants in stock incentive plans who are PRC residents must engage a qualified PRC agent, which may be a PRC subsidiary of an overseas listed company or another qualified agent chosen by the PRC subsidiary, to handle the registration with SAFE and other procedures relating to the stock incentive plan on behalf of the participants.



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### REGULATIONS RELATING TO OVERSEAS DIRECT INVESTMENT

Pursuant to the Regulations on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE on July, 2009 and become effective on August 1, 2009, enterprises in mainland China should apply for foreign exchange registration for their overseas direct investments after obtaining approval for such investments. As mentioned above, the administrative approval of foreign exchange registration under overseas direct investment has been abolished by the Circular 13 and banks are entitled to directly review and conduct foreign exchange registration under overseas direct investment.

On September 6, 2014, the MOFCOM issued the Measures for the Administration of Overseas Investment (《境外投資管理辦法》), which became effective on October 6, 2014 and stipulated that the MOFCOM and the provincial commercial departments are responsible for the management and supervision of overseas investments. Overseas investments involving sensitive countries and regions or sensitive industries are subject to approval management. Overseas investments by enterprises in other cases are required to file with the competent commercial department.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC which become effect on March 1, 2018, investment entities carrying out overseas investment shall comply with the procedures of approval or filing to the competed authorities. For non-sensitive outbound investment projects which the amount of Chinese investment in the project is less than USD300 million and directly carried out by a local enterprise in mainland China, the filing shall be conducted to the provincial counterpart of the NDRC where the investment entity is registered. When an enterprise invests in an offshore enterprise to carry out offshore reinvestment, the enterprise should report to the competent commercial department after completing the offshore legal formalities.

Pursuant to the Notice on the Promulgation of Provisional Measures on the Reporting for Filing (Approval) of Outbound Investments (《對外投資備案(核準)報告暫行辦法》) promulgated by the MOC, CSRC, SAFE and other PRC regulatory authorities which become effect on January 18, 2018, for a domestic investor that fails to go through filing (approval) formalities or perform its information reporting obligation, the MOC may, in concert with the authorities concerned, give a reminder, hold a talk, circulate a notice of criticism or take other measures as the case may be, and may record its violation information in the national credit information sharing platform, if necessary. Administrative penalties imposed on an enterprise shall be recorded under the enterprise in the national enterprise information disclosure system and disclosed to the public.

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### REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

#### Copyright

The core protection of Copyright (including software copyright) is the Copyright Law of the PRC (《中華人民共和國著作權法》) which is promulgated on September 1990 and last amended on November, 2020 by the SCNPC and the Implementing Rules of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) as promulgated on August, 2002 and last amended on January, 2013 by the State Council. Such law and rules prescribe that the works of Chinese citizens, legal persons or other organizations, whether published or not, shall enjoy copyright. Such works include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Under the Copyright Law of the PRC, copyright infringement may lead to liability for ceasing the infringing activities, eliminating the impact, making an apology and compensating for damages. Copyright infringement that harms public interest may also result in fines and/or administrative or criminal liabilities.

Pursuant to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013 and the Measures on Registration of Copyright for Computer Software (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of the PRC, copyright in software shall commence on the date of completion of development. The protection period for software copyright of legal persons or other organizations shall be 50 years until December 31 of the 50th year after the first publication of the software. However, if the software is not published within 50 years from the completion of the development, it shall no longer be protected by the related regulations. The software copyright owner may register with a software registration authority recognised by the copyright administration department under the State Council. The registration certificate issued by the software registration authority is the preliminary proof of the registered matter.

According to The Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) which took effect on July, 2006 and was amended on January, 2013, internet information service providers will be held liable under circumstances such as knowing or ought to have known of copyright infringement occurring via the internet but fail to take measures to remove, blocking or disconnecting links to the relevant content, or failing to take appropriate measures after receiving a notice of infringement from the copyright owner if the service provider was not previously aware of the infringement.

Furthermore, Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》) promulgated by the Ministry of Information Industry, the predecessor of the MIIT, and the National Copyright Administration also provided that after a copyright owner discovers that content disseminated on the Internet infringes his copyright and sends a notice to the internet information service provider or other institution entrusted by it, the internet information service provider shall immediately take measures to remove the relevant content and retain the copyright owner's notice for six months. Where an internet information service

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provider knows that an internet content provider is committing infringement of another person’s copyright through the Internet or, although it does not know it, but fails to take measures to remove the relevant content after being notified by the copyright owner, and at the same time damages the public interest, the copyright administration department may impose administrative penalties including fines.

### **Trademark**

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC in August 1982, and last amended in April 2019 and the Implementation Regulations for Trademark Law of PRC (《中華人民共和國商標法實施條例》) which took effect on September 15, 2002 and amended on April 29, 2014, the Trademark Law of the PRC adopts a “first-to-file” principle in relation to trademark registration. A registered trade mark is valid for 10 years from the date of registration. The registrant may renew the trade mark up to 12 months before its expiry date. Each renewal is valid for 10 years from the day after the expiry of the previous validity period of the trade mark. The use of a trademark identical or similar to a registered trademark on identical or similar goods without the authorisation or consent of the owner of the registered trademark constitutes an infringement of the exclusive right to use the registered trademark. The infringer shall stop the infringement, take remedial measures and compensate for damages.

### **Patent**

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC in March 1984, as last amended and came into effect in June 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council in June 2001 and last amended in December 2023 and became effective on January 20, 2024, patents including invention, utility model and design. The protection period for a patent includes 20 years for an invention, 10 years for a utility model, and 15 years for a design, starting from their respective application dates. Any individual or entity exploiting the patent right or carrying out other activities infringing the patent right without the prior authorization of the patentee shall cease the infringement, making compensation to the patentee and shall be fined by the relevant administrative authority. If it constitutes a crime, criminal liability shall be investigated in accordance with law.

### **Domain Name**

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT in August 2017 and the Implementing Rules of China ccTLD Registration (《國家頂級域名註冊實施細則》) issued by China Internet Network Information Center on June 18, 2019. The MIIT is the main competent authority responsible for the administration of PRC internet domain names. Domain name

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registration in China is based on the “first-apply-first-register” approach. Applicants for domain name registration shall provide their true, accurate and complete identity information to the domain name registration service provider. The applicants become domain name holders upon successful registration.

### REGULATIONS ON DIVIDEND DISTRIBUTION

According to the PRC Company Law which principally governing distribution of dividends of wholly foreign-owned enterprise, or WFOE, WFOEs in China may only pay dividends out of their accumulated after-tax profits (if any) determined in accordance with PRC accounting standards and regulations. In addition, WFOEs in China must allocate at least 10% (if any) of its accumulated profits as certain reserves each year until these reserves reach 50% of the registered capital of the enterprise. These reserves cannot be distributed as cash dividends.

### REGULATIONS ON M&A AND OVERSEAS LISTINGS

Pursuant to the Provisions on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) promulgated by six PRC regulatory department which including the MOFCOM and the CSRC on August 2006, governing the mergers and acquisitions of domestic enterprises by foreign investors that was amended on June 22, 2009, if a PRC companies or individuals intends to acquire equity interests or assets of any other affiliated PRC domestic company, such acquisition must be submitted to the Ministry of Commerce for approval. The M&A Rules also requires that an offshore special vehicle, or a special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to overseas listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

The M&A Rules also set out procedures and requirements that may make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including the requirement in some cases to notify MOFCOM in advance of any change of control transaction where a foreign investor controls a domestic Chinese company.

In addition, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the Ministry of Commerce (《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》) in 2011 specify that mergers and acquisitions by foreign investors that raise “national defence and security” concerns, and through which foreign investors may acquire de facto control of domestic enterprises that raise “national security” concerns, are subject to strict scrutiny by the Ministry of Commerce. Any attempt to circumvent such security clearance, including structuring the transaction through agency or contractual control arrangements, is prohibited.

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On February 17, 2023, the CSRC released 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 (together with the Trial Measures, the “Overseas Listing Trial Measures”), which became effective on March 31, 2023, along with the Notice of the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (the “Filing Arrangements Notice”). According to the Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the “Overseas Offering and Listing”), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprise: (i) 50% or more of any 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 domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. The Trial Measures also requires subsequent reports to be submitted to the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. If a PRC domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

On February 17, 2023, the CSRC also held a press conference for the release of the Trial Measures, the officials from the CSRC clarified that the overseas listing of VIE-structured enterprises meeting the compliance requirements can complete the filing procedures with the CSRC.

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 “Provisions on Confidentiality”), which became effective on March 31, 2023. Pursuant to the Provisions on Confidentiality, where a domestic enterprise provides or publicly discloses documents and materials involving state secrets and working secrets of state organs (“Relevant Documents and Materials”) to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses Relevant Documents and Materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities

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## REGULATORY OVERVIEW

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companies, securities service institutions and overseas regulatory authorities shall complete the corresponding procedures pursuant to the relevant provisions of the State. The work product formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and outbound transfers shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

### REGULATIONS ON LABOR AND SOCIAL SECURITY

According to the principle regulations governing employment and labor matters in PRC, which include Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 1994 and last amended on December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 2007 and last amended on December 2012, and the Implementing Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, employers are required to enter into a written employment contract with employees. Employees must not be paid at a level lower than the local standard on minimum wage. All employers must establish a labor safety and sanitation system, strictly comply with national regulations and standards, and provide safety training to their employees. Violations of the regulation above may result in fines and other administrative penalties. In some serious cases, criminal liability may arise.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC in October 2010 and further amended in December 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) promulgated by the State Council in January 1999 and amended in March 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council in April 1999 and last amended in March 2019 and other relating regulations, employees should register with competent local social insurance authority and housing funds managing center. All the employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute in full and in a timely manner may be ordered by the social insurance premium collection agency to rectify the situation within a certain period of time. If the employee fails to do so, it may be charged a late payment fee and be imposed a fine. If the employer fails to pay the housing fund for its employees on time and in full, the housing fund management center shall order the employer to pay the fund within a specified period. If the employer fails to pay the fund after the deadline, it shall be enforced by the people's court.

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## REGULATORY OVERVIEW

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### REGULATIONS RELATING TO TAX

#### Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the “EIT Law”) amended in 2018 and the Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), which came into effect on January, 2008 and was amended on April, 2019, both resident and non-resident enterprises have tax obligations in China. The “Resident enterprises” refers to enterprises that are established in China according to PRC laws, or that are established under foreign laws and regulations but with its de facto management body in China. The “non-resident enterprises” refers to enterprises that are organized under the laws of foreign countries and whose de facto management body is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform enterprise income tax rate of 25% is generally applied. However, If a non-resident enterprise does not have an establishment or premises in China, or if it has an establishment or premises but the income it obtains is not physically connected to its establishment or premises, its PRC-sourced income is subject to a reduced tax rate of 10%.

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》) promulgated by the STA on April, 2009 and most recently amended on December, 2017, sets out the criteria and procedures for determining whether a Chinese-controlled enterprise incorporated abroad is a PRC resident based on its “de facto management body”.

A PRC-controlled offshore incorporated enterprise deemed as a PRC tax resident will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the personnel and place of day-to-day operation and management of the enterprise are primarily located in China; (b) the financial and personnel decisions of the enterprise are made by, or require the approval of, an institution or person located in China. (c) the principal assets, accounting books and records, corporate seal and minutes of board and shareholder meetings of the enterprise are located or maintained in China; and (d) 50% or more of the voting directors or senior management are habitually resident in the PRC.

Pursuant to the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) promulgated on February, 2015 and was subsequently amended in December 2017, where an “indirect transfer” of assets such as equity interests in a PRC resident enterprise by a non-PRC resident enterprise does not have a reasonable commercial purpose and is set up to avoid the EIT Law, the arrangement may be re-characterised and treated as a direct transfer of PRC taxable assets. As a result, gains derived from such indirect transfers may be subject to PRC enterprise income tax.

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## REGULATORY OVERVIEW

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### Dividend Withholding Tax

The EIT Law provides for a withholding tax rate of 20% on dividends and other PRC-sourced income of non-resident enterprises of PRC that do not have an establishment or place of business in China, or even if an establishment or place of business is established, but the relevant dividends or other PRC-sourced income is effectively unrelated to the establishment or place of business in China. However, the Implementation Rules of the EIT Law reduced the rate from 20% to 10%. However, if there is a tax treaty between the jurisdictions of the PRC and the foreign holding company, for example, under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which became effective on August, 2006 and other applicable PRC laws, a lower withholding tax rate may apply. The 10% withholding tax on dividends received by a Hong Kong resident enterprise from a PRC resident enterprise may be reduced to 5% with the approval of the competent tax authorities if the Hong Kong resident enterprise is determined by the competent PRC tax authorities to meet the relevant conditions and requirements under the Arrangement for Avoidance of Double Taxation and other applicable laws. However, according to the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) which became effective on February, 2009, if the competent tax authority considers that the opportunity for an enterprise to benefit from a tax treaty arises from a specific transaction or arrangement of which the main purpose is to obtain a favorable tax position, the competent tax authority is entitled to make adjustments at its discretion.

### Value-Added Tax (VAT)

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December, 1993 and last amended on November, 2017, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and STA on December, 2008 and as amended on October 28, 2011, entities or individuals engaged in the sale of goods, the provision of processing services, repair and replacement services, the sale of services, intangible assets, immovable property or the import of goods in the within the PRC shall pay value-added tax, or VAT. The rate of VAT is generally 17% on sales and 6% on the services, and the VAT rate applicable to the small-scale taxpayers is 3%.

On April, 2018, the Ministry of Finance and STA jointly promulgated the Circular of the Ministry of Finance and the STA on Adjustment of Value-Added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), or the STA Circular 32, according to which (i) for taxable sales or imported goods originally subject to VAT rates of 17% and 11%, respectively, such tax rates shall be adjusted to 16% and 10%, and shall be further adjusted to 13% and 9% in accordance with the Announcement of the Ministry of Finance, the STA and the General Administration of Customs on Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) that took effect on April 1, 2019.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW

We are a leading mobile game company with integrated development, publishing and operation capabilities in China, with a vision to promote the understanding and appreciation of Chinese culture to the world. Since 2017, we have been engaged in an industrialized business strategy that integrates development, publishing, and operation, focusing primarily on RPG games.

Our history can be traced back to 2014 when Chengdu Uni-Star Interactive was established by Mr. Guo, father of Ms. Guo (chairperson of our Board, executive Director and chief executive officer). Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 24, 2022. Upon completion of the Reorganization as further disclosed below, our Company has become the holding company of our Group.

### BUSINESS MILESTONES

The following table sets forth certain development milestones of our Group:

Year	Milestones
2014	In October, Chengdu Uni-Star Interactive was established
2017	In August, our first game, Dragon City Hegemony (龍城霸業), was published
2020	In April, we changed our brand name from “9130 Game (9130遊戲)” to “Uni-Star Interactive (星邦互娛)”  In December, we introduced Chengdu High-Tech VC as our Pre-[REDACTED] Investor
2022	In March, we were awarded as the “Greatest Potential Enterprise Award of the Year” (年度最佳潛力獎) of 2021 by Guangzhou Game Industry Association (廣州市遊戲行業協會)  In October, the monthly gross billings of Nine Realms: Sword & Immortals (九州仙劍傳) exceeded RMB480 million  In November, we were awarded as the “Best Marketing Game Company of the Year” (年度最佳營銷遊戲公司) by the Vivo Developer Conference (vivo開發者大會)

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Milestones
2023	<p>In October, we were awarded as the “Outstanding Internet Ecological Environment Governance Enterprise of the Year” (遊戲行業網絡生態治理優秀企業) by Guangzhou Game Industry Association (廣州市遊戲行業協會)</p> <p>In November, the accumulative gross billings of Sword Fantasy (天劍奇緣) exceeded RMB5 billion</p> <p>In December, we were awarded as the “Sichuan Top 100 Enterprises” (四川百強企業) by Sichuan Provincial Enterprise Confederation, Sichuan Entrepreneur Association (四川省企業聯合會,四川省企業家協會)</p> <p>In December, we were awarded as the “Top Ten Outstanding Game Operation Enterprises of the Year” (年度十強優秀遊戲運營企業) by China Audio-Video and Digital Publishing Association, Game Working Committee (中國音像與數字出版協會,遊戲工委)</p>
2024	<p>In August, we were awarded as 2024 Guangzhou Minor Online Ecosystem Governance Base Practice Center (2024廣州市未成年人網絡生態治理基地實踐基地) by Guangzhou Municipal Committee Cyberspace Administration (廣州市委網信辦)</p> <p>In September, we were awarded as Top 30 Digital Economy Companies in Sichuan Province (四川省數字經濟30強) by Sichuan Enterprise Federation (四川省企業聯合會) and Sichuan Entrepreneurs Association (四川省企業家協會)</p>
2025	<p>In February, the accumulative gross billings of Sword Fantasy (天劍奇緣) exceeded RMB6.5 billion</p>

### OUR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

As of the Latest Practicable Date, our Group comprised our Company, our five subsidiaries and 17 Consolidated Affiliated Entities. For details, see Note 1 to the Accountants’ Report.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

We primarily operate our business through our principal operating entities. As of the Latest Practicable Date, we had seven principal operating entities which made material contribution to our results of operation during the Track Record Period, details of which are set forth below.

<u>Name</u>	<u>Place of Incorporation</u>	<u>Date of Incorporation</u>	<u>Registered Capital as of the Latest Practicable Date</u>	<u>Equity Interest Attributable to our Group</u>	<u>Principal Business Activities</u>
Chengdu Uni-Star Interactive	PRC	October 14, 2014	RMB10,216,800	100% through Contractual Arrangement	Game operations
Shanghai Jushi Network Technology Co., Ltd. (上海聚市網絡科技有限公司)	PRC	April 22, 2015	RMB10,000,000	100% through Contractual Arrangement	Game operations
Shanghai Qunong Network Technology Co., Ltd. (上海趣農網絡科技有限公司)	PRC	July 23, 2018	RMB5,000,000	100% through Contractual Arrangement	Game operations
Shanghai Yuanxi Network Technology Co., Ltd. (上海圓戲網絡科技有限公司)	PRC	March 8, 2019	RMB10,000,000	100% through Contractual Arrangement	Game operations
Guangzhou Uni-Star Interactive	PRC	September 11, 2017	RMB1,000,000	100%	R&D of the game operating systems

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Name</u>	<u>Place of Incorporation</u>	<u>Date of Incorporation</u>	<u>Registered Capital as of the Latest Practicable Date</u>	<u>Equity Interest Attributable to our Group</u>	<u>Principal Business Activities</u>
Chengdu Hehuida Network Technology Co., Ltd. (成都合輝達網絡科技有限公司)	PRC	February 27, 2019	RMB10,000,000	100% through Contractual Arrangement	Game operations
Shanghai Xuangan	PRC	January 26, 2022	RMB5,000,000	100%	R&D of games

### CORPORATE DEVELOPMENT

#### Our Company

For details, see “ — Reorganization” in this section.

#### Chengdu Uni-Star Interactive

##### *Establishment of Chengdu Uni-Star Interactive and early development*

Chengdu Uni-Star Interactive was established in the PRC on October 14, 2014. Upon incorporation, its registered capital was RMB30,000, which was owned by Mr. Guo, Ms. Cheng Shaorong (程紹蓉) and Ms. Yang Lianlian (楊蓮蓮) as to 70%, 15% and 15%, respectively. Pursuant to the respective entrustment agreements entered into between (i) Mr. Guo and (ii) each of Ms. Cheng Shaorong and Ms. Yang Lianlian, each of Ms. Cheng Shaorong and Ms. Yang Lianlian held her equity interests in Chengdu Uni-Star Interactive by proxy as the nominees for Mr. Guo. Each of Ms. Cheng Shaorong and Ms. Yang Lianlian is a family friend of Mr. Guo and an Independent Third Party. The entrustment arrangement between Mr. Guo and Ms. Cheng Shaorong was terminated in September 2016 while entrustment arrangement between Mr. Guo and Ms. Yang Lianlian was terminated in December 2017. Upon the termination of such entrustment arrangements, the relevant equity interest of the Chengdu Uni-Star Interactive held by Ms. Cheng Shaorong and Ms. Yang Lianlian were transferred back to Mr. Guo and/or the entities designated by Mr. Guo. Further, our PRC Legal Advisers are of the view that such entrustment arrangements were valid, binding and enforceable under applicable PRC laws and regulations, and did not violate any mandatory provisions under applicable PRC laws and regulations.

On July 20, 2017, the registered capital of Chengdu Uni-Star Interactive was increased from RMB30,000 to RMB10 million.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Major Equity Transfers from 2017 to 2018*

During the period from November 2017 to October 2018, there were a series of equity transfers, primarily including the equity transfers for the purposes of Mr. Guo’s family wealth planning and future grants of employee incentives.

Upon the completion of the equity transfers in October 2018, Chengdu Uni-Star Interactive was owned as to approximately 42.90%, 30.00% and 27.10%, representing the registered capital of RMB4.29 million, RMB3.00 million and RMB2.71 million, respectively, by Meishan Baoshuigangqu Lanjun Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區藍駿投資管理合夥企業(有限合夥)) (“**Lanjun Investment**”), Ningbo Meishan Baoshuigangqu Shengchi Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區盛池投資管理合夥企業(有限合夥)) (“**Shengchi Investment**”) and Chengdu Jielian Network Technology Co., Ltd. (成都捷聯網絡科技有限公司) (“**Jielian Network**”), respectively. Lanjun Investment and Shengchi Investment was beneficially co-owned by Mr. Guo and Ms. Guo. Jielian Network was wholly owned by Ms. Guo.

### *Huizhi Network’s Investment March 2019, Capital Increase in June 2019 and Huizhi Network’s Exit in July 2020*

In 2018, Chengdu Uni-Star Interactive, Jielian Network and Gongqingcheng Huizhi Network Investment Partnership (Limited Partnership) (共青城惠智網聯投資合夥企業(有限合夥)) (“**Huizhi Network**”) entered into an equity transfer agreement (the “**Huizhi Investment Agreement**”), pursuant to which Jielian Network transferred 8.13% equity interests in Chengdu Uni-Star Interactive, representing the RMB813,000 registered capital of Chengdu Uni-Star Interactive, to Huizhi Network at a consideration of RMB150 million. The consideration was determined based on an arm’s length negotiation between Jielian Network and Huizhi Network with reference to the business performance and operation status of Chengdu Uni-Star Interactive. Upon completion of the equity transfer, Chengdu Uni-Star Interactive was owned as to approximately 42.90%, 30.00%, 18.97% and 8.13%, representing registered capital of RMB4.29 million, RMB3 million, RMB1.897 million and RMB0.813 million in Chengdu Uni-Star Interactive by Lanjun Investment, Shengchi Investment, Jielian Network and Huizhi Network, respectively.

On May 29, 2019, the then shareholders of Chengdu Uni-Star Interactive resolved to increase the registered capital of Chengdu Uni-Star Interactive from RMB10.0 million to RMB10,216,800. Among the increased registered capital of RMB216,800, each then shareholders of Chengdu Uni-Star Interactive contributed in proportion to their then respective equity interest in the Chengdu Uni-Star Interactive at a total capital of RMB40 million. Upon completion of the capital increase on June 3, 2019, Chengdu Uni-Star Interactive was owned as to approximately 42.90%, 30.00%, 18.97% and 8.13%, representing the registered capital of RMB4,383,000, RMB3,065,100, RMB1,938,100 and RMB830,600 in Chengdu Uni-Star Interactive, respectively, by Lanjun Investment, Shengchi Investment, Jielian Network and Huizhi Investment, respectively.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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In July 2020, as agreed among the then shareholders of Chengdu Uni-Star Interactive, Huizhi Network transferred its entire equity interests, being 8.13%, in Chengdu Uni-Star Interactive to Jielian Network at a consideration of approximately RMB172.49 million. The consideration was determined based on the arm’s length negotiation between Jielian Network and Huizhi Network with reference to the business and operation status of Chengdu Uni-Star Interactive, and was fully settled by September 9, 2020. Upon completion of the equity transfer, Chengdu Uni-Star Interactive was owned as to approximately 42.90%, 30.00%, and 27.10%, representing registered capital of RMB4,383,000, RMB3,065,100 and RMB2,768,700 in Chengdu Uni-Star Interactive, respectively, by Lanjun Investment, Shengchi Investment and Jielian Network, respectively.

Huizhi Network is a limited partnership established under the laws of the PRC on September 19, 2018, whose general partner is Ningbo Hangxin Yibo Private Equity Fund Management Co., Ltd. (寧波航昕奕博私募基金管理有限公司) with 75% partnership interests, which is in turn ultimately controlled by VIC Industry-Finance Holdings Co., Ltd. (中航工業產融控股股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600705.SH)). The limited partner of Huizhi Network is Kashi Zhonghuilianyin Venture Capital Co., Ltd. (喀什中匯聯銀創業投資有限公司) with 25% partnership interests, which is an wholly-owned subsidiary of Chongqing Huicheng Information Technology Co., Ltd. (重慶惠程信息科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002168.SZ)).

### *Equity Transfers in 2020*

On November 23, 2020, Chengdu High-Tech VC, Jielian Network, Chengdu Uni-Star Interactive, Lanjun Investment and Shengchi Investment entered into an equity transfer agreement, pursuant to which Jielian Network transferred its equity interests of approximately 9.3% in Chengdu Uni-Star Interactive, representing registered capital of RMB950,200 in Chengdu Uni-Star Interactive, to Chengdu High-Tech VC at a consideration of RMB172 million. The consideration was determined based on the arm’s length negotiation between the parties and a valuation report issued by an independent valuer, and was fully settled on November 25, 2020. For further details, see “ — Pre-[REDACTED] Investment” in this section.

On December 26, 2020, each of Lanjun Investment and Shengchi Investment transferred its entire equity interest in Chengdu Uni-Star Interactive, being 42.90% and 30.00%, to Chengdu Liangyan and Chengdu Yicai, respectively, at nil consideration, since each of Lanjun Investment, Shengchi Investment, Chengdu Liangyan and Chengdu Yicai was beneficially co-owned by Mr. Guo and Ms. Guo.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Upon completion of the abovementioned equity transfers on December 29, 2020, Chengdu Uni-Star Interactive was owned as to approximately 42.90%, 30.00%, 17.80% and 9.30%, representing registered capital of RMB4,383,000, RMB3,065,100, RMB1,818,500 and RMB950,200 in Chengdu Uni-Star Interactive, respectively, by Chengdu Liangyan, Chengdu Yicai, Jielian Network and Chengdu High-Tech VC, respectively.

### *Equity Transfer in 2021*

On June 2, 2021, Jielian Network and Chengdu Beiyu entered into an equity transfer agreement, pursuant to which Jielian Network transferred its entire equity interests, being approximately 17.80%, in Chengdu Uni-Star Interactive, representing registered capital of RMB1,818,500 in Chengdu Uni-Star Interactive to Chengdu Beiyu at nil consideration since Chengdu Beiyu was owned as to 10% and 90% by Mr. Guo and Ms. Guo, respectively.

Upon completion of the equity transfer on June 3, 2021, Chengdu Uni-Star Interactive was owned as to approximately 42.90%, 30.00%, 17.80% and 9.30%, representing registered capital of RMB4,383,000, RMB3,065,100, RMB1,818,500 and RMB950,200 in Chengdu Uni-Star Interactive, respectively, by Chengdu Liangyan, Chengdu Yicai, Chengdu Beiyu and Chengdu High-Tech VC, respectively. Since then, there has been no alteration in the registered capital of Chengdu Uni-Star Interactive.

### **Major Shareholding Changes in other Principal Operating Entities**

Save as the shareholding changes of the Chengdu Uni-Star Interactive disclosed above and shareholding changes in Guangzhou Uni-Star Interactive and Shanghai Xuanguan in connection with the Reorganization, there were no other material shareholding changes in the other principal operation entities during the Track Record Period till to the Latest Practicable Date. For details of the shareholding changes in Guangzhou Uni-Star Interactive and Shanghai Xuanguan during the Track Record Period, see “— Reorganization” in this section.

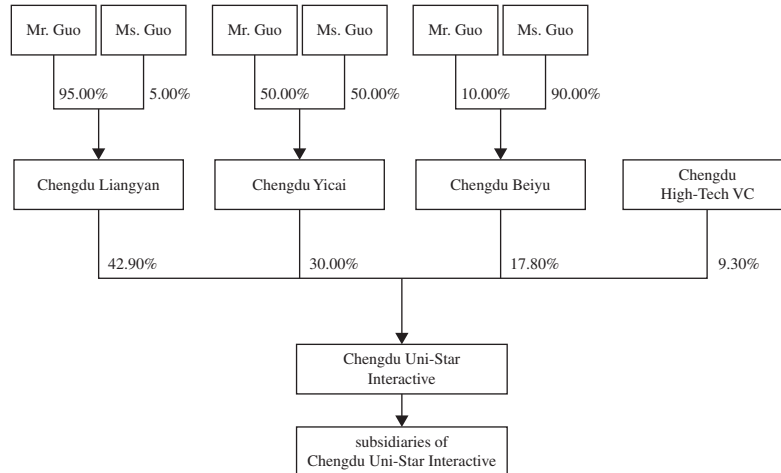
Our PRC Legal Advisers confirm that the terms of all the equity transfers and capital increases as disclosed above were properly and legally completed, and all necessary filings and registrations from the relevant PRC authorities have been obtained and completed.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### REORGANIZATION

#### Shareholding Structure Before the Reorganization

The following chart sets forth the simplified corporate and shareholding structure of Chengdu Uni-Star Interactive immediately prior to the commencement of the Reorganization.



To establish an offshore structure with our Company as the holding company and ensure that the Contractual Arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange, our Group underwent the following reorganization steps.

#### Step 1. Establishment of Our Offshore Structure

##### *Incorporation of Our Company and Issuance of Shares*

On November 24, 2022, Our Company was incorporated in the Cayman Islands as the holding company of our Group. The initial authorized share capital of our Company was US\$50,000 divided into 5,000,000,000 Shares of a par value of US\$0.00001 each. Upon incorporation, one Share was allotted and issued to Sertus Nominees (Cayman) Limited, and was subsequently transferred to Orchid Lan FHL. On the same date, 3,656 Shares were allotted and issued to Orchid Lan FHL at par value, 6,043 Shares were allotted and issued to Great Guo FHL at par value and 300 Shares were allotted and issued to Springberg FHL at par value. Upon completion of such share issuance, our Company was held as to approximately 60.43%, 36.57% and 3.00% by Great Guo FHL, Orchid Lan FHL and Springberg FHL respectively.

On August 26, 2024, (1) the authorized share capital of the Company was changed to US\$50,000 divided into 5,000,000,000 shares, consisting of (i) 4,952,490,000 ordinary shares of a par value of US\$0.00001 each and (ii) 47,510,000 Preferred Shares of a par value of US\$0.00001 each by reclassifying and re-designating 47,510,000 ordinary shares of a par value of US\$0.00001 each into 47,510,000 Preferred Shares of a par value of US\$0.00001 each, and (2) 258,147,657 Shares, 15,324,900 Shares, 20,433,600 Shares, 169,413,843 Shares and



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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47,510,000 Preferred Shares were allotted and issued to Great Guo FHL, Springberg FHL, Sincebloom FHL, Orchid Lan FHL and Chengdu New-Eco Investment Holdings Limited (“**Chengdu New-Eco**”), respectively. Upon completion of such share issuance, our Company was held as to approximately 50.54%, 3.00%, 4.00%, 33.16% and 9.30% by Great Guo FHL, Springberg FHL, Sincebloom FHL, Orchid Lan FHL and Chengdu New-Eco, respectively.

Each of Great Guo FHL, Springberg FHL and Sincebloom FHL is ultimately controlled by Mr. Guo and is one of our Controlling Shareholders. Orchid Lan FHL is ultimately controlled by Ms. Guo and is one of our Controlling Shareholders. For further details, see “— Our Structure Immediately Prior to the [REDACTED]” in this section.

Chengdu New-Eco is a limited liability company incorporated in the BVI on February 1, 2023, and is wholly owned by Chengdu High-Tech VC, our Pre-[REDACTED] Investor. Each of Chengdu New-Eco and Chengdu High-Tech VC is an Independent Third Party. For further details, see “— Pre-[REDACTED] Investment — Information about the Pre-[REDACTED] Investor” in this section.

### *Incorporation of Uni-Star Interactive HK Limited (“Uni-Star HK”)*

On December 7, 2022, Uni-Star HK was incorporated in Hong Kong as a direct wholly-owned subsidiary of our Company.

### **Step 2. Acquisition of Guangzhou Uni-Star Interactive**

Guangzhou Uni-Star Interactive was established in the PRC on September 11, 2017. Upon incorporation, it was wholly owned by Chengdu Uni-Star Interactive with the registered capital of RMB1.0 million.

On December 2, 2022, Chengdu Uni-Star Interactive and Ms. Wen Wenxin (溫雯昕) entered into an equity transfer agreement, pursuant to which Chengdu Uni-Star Interactive transferred its equity interests of 2% in Guangzhou Uni-Star Interactive, representing the registered capital of RMB20,000 of Guangzhou Uni-Star Interactive, to Ms. Wen Wenxi, an Independent Third Party, at a consideration of US\$2,958.40 (equivalent to RMB20,000 based on the then exchange rate). The consideration was determined based on the nominal value of the registered capital, and was fully settled on February 1, 2023. Upon completion of such transfer on December 5, 2022, Guangzhou Uni-Star Interactive was converted into a sino-foreign joint venture entity, and was held as to approximately 98% by Chengdu Uni-Star Interactive and 2% by Ms. Wen Wenxin.

On January 6, 2023, Chengdu Uni-Star Interactive, Ms. Wen Wenxin and Uni-Star HK entered into an equity transfer agreement, pursuant to which Chengdu Uni-Star Interactive and Ms. Wen Wenxi transferred their equity interests of 98% and 2% in Guangzhou Uni-Star Interactive, representing the registered capital of RMB980,000 and RMB20,000 of Guangzhou Uni-Star Interactive, respectively, to Uni-Star HK at respective considerations of

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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US\$150,769.23 (equivalent to RMB980,000 based on the then exchange rate) and US\$2,901.62 (equivalent to RMB20,000 based on the then exchange rate), respectively. The considerations were determined based on the nominal value of the registered capital, and were fully settled on August 9, 2023.

Upon completion of the above equity transfers on January 20, 2023, Guangzhou Uni-Star Interactive became an indirect wholly-owned subsidiary of our Company.

### **Step 3. Onshore and Offshore Reorganization**

#### *Acquisition of Shanghai Xuangan*

Shanghai Xuangan, primarily engaged in the research and development of games, was established in the PRC on January 26, 2022. Upon incorporation, it was wholly owned by Chengdu Uni-Star Interactive with registered capital of RMB5.0 million. In order to ensure that the Contractual Arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange, on February 3, 2023, Chengdu Uni-Star Interactive and Guangzhou Uni-Star Interactive entered into an equity transfer agreement, pursuant to which Chengdu Uni-Star Interactive transferred its entire equity interests in Shanghai Xuangan, representing the registered capital of RMB5.0 million of Shanghai Xuangan, to Guangzhou Uni-Star Interactive at a consideration of RMB5.0 million.

#### *Deregistration of Certain Subsidiaries of Chengdu Uni-Star Interactive*

*Yichun Jiangxin Network Technology Co., Ltd.* (宜春匠心網絡科技有限公司) (“**Yichun Jiangxin**”) and *Hunan Ruiying Network Technology Co., Ltd.* (湖南睿鷹網絡科技有限公司) (“**Hunan Ruiying**”)

Yichun Jiangxin was established in the PRC on June 22, 2020. Upon incorporation, it was wholly owned by Chengdu Uni-Star Interactive with registered capital of RMB5.0 million. Hunan Ruiying was established in the PRC on September 11, 2020. Upon incorporation, it was wholly owned by Chengdu Uni-Star Interactive with registered capital of RMB5.0 million.

Both Yichun Jiangxin and Hunan Ruiying had not been engaged in any substantive business operation since their respective establishment. In order to streamline our corporate structure, we deregistered Yichun Jiangxin and Hunan Ruiying on March 6, 2023 and March 23, 2023, respectively, following which both Yichun Jiangxin and Hunan Ruiying ceased to be members of our Group. Each of Yichun Jiangxin and Hunan Ruiying had not been subject to any administrative penalty involving material non-compliance with applicable PRC laws and regulations during the Track Record Period prior to the deregistration.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Our PRC Legal Advisers confirm that all necessary approvals from the competent PRC regulatory authorities regarding the onshore equity transfers and deregistration as disclosed above have been obtained in accordance with applicable PRC laws and regulations and the onshore Reorganization steps have complied with applicable PRC laws and regulations in all material aspects.

*Wonder Game Technology Co., Limited (奇妙互娛網絡科技有限公司) (“Wonder Game”)*

Wonder Game (formerly known as Virtuous Game Technology Co., Limited (天互遊戲科技有限公司)) was incorporated in Hong Kong and was a wholly-owned subsidiary of Chengdu Uni-Star Interactive throughout the Track Record Period. In order to streamline our corporate structure, we deregistered Wonder Game on August 4, 2023. Wonder Game had not been subject to any administrative penalty involving material non-compliance with applicable Hong Kong laws and regulations during the Track Record Period prior to the deregistration.

### **Step 4: Establishment of Family Trust Arrangement**

On August 30, 2023, Mr. Guo, as the settlor, established Great Guo Family Trust, Springberg Family Trust and Sincebloom Family Trust. Mr. Guo and Great Guo HL are the beneficiaries of each such trust, with TMF (Cayman) Ltd. serving as the trustee for each such trust. Pursuant to the deed of settlement constituting each such trust, Mr. Guo is able to exercise voting power attached to the Shares held by each trust.

On August 30, 2023, Ms. Guo, as the settlor, established Orchid Lan Family Trust. Ms. Guo and Orchid Lan HL are the beneficiaries of the trust, with TMF (Cayman) Ltd. serving as the trustee. Pursuant to the deed of settlement constituting Orchid Lan Family trust, Ms. Guo is able to exercise the voting power attached to the Shares by her trust.

For further details relating to Great Guo Family Trust, Springberg Family Trust, Sincebloom Family Trust and Orchid Family Trust, see “ — Our Structure Immediately Prior to the [REDACTED]” in this section.

### **Step 5. Contractual Arrangements**

On August 26, 2024, Guangzhou Uni-Star Interactive, the Consolidated Affiliated Entities and the Registered Shareholders entered into various agreements constituting the Contractual Arrangements, pursuant to which substantially all the economic benefits arising from the business of the Consolidated Affiliated Entities are transferred to Guangzhou Uni-Star Interactive to the extent permitted under applicable PRC laws and regulations by means of the service fees payable to Guangzhou Uni-Star Interactive. For details, see “Contractual Arrangements” in this document.

### **Shareholding Structure Immediately after Completion of the Reorganization**

For details, see “ — Our Structure Immediately Prior to the [REDACTED]” in this section.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### PRE-[REDACTED] INVESTMENT

#### Principal Terms of the Pre-[REDACTED] Investment

The following table summarizes the principal terms of the Pre-[REDACTED] Investment made by Chengdu High-Tech VC:

Date of agreement	November 23, 2020
Amount of consideration paid	RMB172 million
Date of payment of full consideration	November 25, 2020
Cost per Preferred Share paid under the Pre-[REDACTED] Investment (approximation)	RMB3.62
Discount to the [REDACTED] <sup>(1)</sup> (approximation) (%)	[REDACTED]
Basis of determination of the consideration	The consideration for the Pre-[REDACTED] Investment was determined based on arm’s length negotiation between the parties and a valuation report issued by an independent valuer.
Lock-up period	Pursuant to the relevant Pre-[REDACTED] investment agreement, there is no lock-up arrangement for the Pre-[REDACTED] Investor.
Use of [REDACTED] from the Pre-[REDACTED] Investment	No proceed was received by our Group from the Pre-[REDACTED] Investment due to the investment made through a secondary transfer.
Strategic benefits to our Company brought by the Pre-[REDACTED] Investor	At the time of the Pre-[REDACTED] Investment, our Directors were of the view that our Company could benefit from the knowledge and experience of the Pre-[REDACTED] Investor.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Rights of Chengdu New-Eco

Chengdu New-Eco, a wholly-owned subsidiary of Chengdu High-Tech VC, has been granted certain special rights in relation to our Company, including but not limited to redemption rights, information and inspection rights, pre-emptive rights and liquidation preferences. Pursuant to the supplemental shareholders’ agreement entered into by, among others, our Company and Chengdu New-Eco on February 26, 2025, the redemption rights granted to Chengdu New-Eco shall be automatically terminated immediately before the date of first filing of [REDACTED] of the Company and such redemption rights shall be automatically restored upon the occurrence of that our Company withdraws or cancels its [REDACTED] for an [REDACTED] of its Shares and [REDACTED] on the New York Stock Exchange, Nasdaq, the Hong Kong Stock Exchange or such other internationally-recognized securities exchange acceptable by Chengdu New-Eco (the “[REDACTED]”) or such [REDACTED] materials become invalid; or that the [REDACTED] is terminated, rejected, dismissed or not approved by the governmental authorities or stock exchange; or any other circumstance occurs indicating that our Company has ceased or is unable to proceed with the [REDACTED]. All other special rights shall be automatically terminated on the date of the completion of the [REDACTED] if so explicitly required by such stock exchange or applicable laws.

All Preferred Shares shall be automatically converted into Shares on a one-to-one basis upon completion of the [REDACTED].

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*Note:*

- (1) The discount is based on the [REDACTED] of HK\$[REDACTED] (being the mid-point of the indicative [REDACTED] as stated in this document) and an exchange rate of RMB0.92135 to HK\$1.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Information about the Pre-[REDACTED] Investor

Chengdu High-Tech VC is a state-owned investment institution incorporated in the PRC on October 15, 2018. As of the Latest Practicable Date, Chengdu High-Tech VC was owned as to 55% by Chengdu High-tech Investment Group Co., Ltd. (成都高新投資集團有限公司) and 45% by Chengdu High-tech and Chengdu High-tech Ceyuan Investment Group Co., Ltd. (成都高新策源投資集團有限公司), which was in turn wholly owned by Chengdu High-tech Investment Group Co., Ltd.. As of the same date, Chengdu High-tech Investment Group Co., Ltd. was owned as to 91.89% and 8.11% by State-owned Financial Bureau of Chengdu High-tech Industrial Development Zone (成都高新技術產業開發區國資金融局) and Sichuan Provincial Finance Department (四川省財政廳), respectively. Chengdu High-Tech VC’s interest in our Company is held by its wholly-owned subsidiary, Chengdu New-Eco, after the completion of the Reorganization.

### Sole Sponsor’s Confirmation

On the basis that (i) the consideration for the Pre-[REDACTED] Investment was irrevocably settled more than 28 clear days before the date of our first submission of the [REDACTED] to the Stock Exchange; and (ii) the redemption rights granted to Chengdu New-Eco have been automatically terminated on February 26, 2025, and all other special rights will automatically terminate on the date of the completion of the [REDACTED] as required under the Guide, the Sole Sponsor confirms that the Pre-[REDACTED] Investment are in compliance with the Pre-[REDACTED] Investment Guidance (as defined in Chapter 4.2 under the Guide.

[REDACTED]

Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), (i) Mr. Guo (one of our Controlling Shareholders) will, through Great Guo FHL, Springberg FHL and Sincebloom FHL, be able to exercise approximately [REDACTED]% voting rights in our Company, and (ii) Ms. Guo (our executive Director and one of our Controlling Shareholders) will, through Orchid Lan FHL, be able to exercise approximately [REDACTED]% voting rights in our Company. Therefore, the Shares held by Great Guo FHL, Springberg FHL, Sincebloom FHL and Orchid Lan FHL will not count towards the [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.

As Chengdu New-Eco will not be a core connected person of our Company upon [REDACTED] and is not accustomed to take instructions from any core connected persons of our Company in relation to the acquisition, disposal, voting or other disposition of its Shares, and its acquisition of Shares was not financed directly or indirectly by any core connected persons of our Company, the Shares held by it will count towards the [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), [REDACTED] Shares, comprising (i) based on [REDACTED] Shares to be issued to the [REDACTED] Shareholders pursuant to the [REDACTED] and (ii) [REDACTED] Shares held by Chengdu New-Eco, representing approximately [REDACTED]% of our Company’s total issued Shares, will be held by the [REDACTED] in accordance with Rule 8.08(1)(a) of the Listing Rules.

### PRC REGULATORY REQUIREMENTS

#### **The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC**

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the STA, the SAMR, the CSRC and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle established or controlled by a PRC domestic company, enterprise or natural person shall obtain approval from the MOFCOM prior to the acquisition of any domestic enterprise related to such company, enterprise or natural person. The M&A Rules, amongst others, also require that an offshore special purpose vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

As advised by our PRC Legal Advisers, based on the current laws and regulations which are enacted and the current interpretations on the M&A Rules, the proposed [REDACTED] is not subject to approval from the MOFCOM under the M&A Rules and our [REDACTED] on the Stock Exchange is not subject to a prior approval from the CSRC under the M&A Rules.

#### **SAFE Circular 37 and Related Rules**

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Round-tripping 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) (the “**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”. SAFE Circular 37 further requires

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease in capital contributed by PRC individuals, share transfer or swap, 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 subsidiary. Furthermore, failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released the Notice on Further Simplifying the 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) (the “SAFE Circular 13”), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, there exists uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

As advised by our PRC Legal Advisers, Mr. Guo and Ms. Guo have completed the foreign exchange registration under SAFE Circular 37 and SAFE Circular 13.

### CAPITALIZATION OF OUR COMPANY

The table below is a summary of the capitalization of our Company as of the Latest Practicable Date and the [REDACTED] (assuming the [REDACTED] is not exercised):

Shareholders	As of the Latest Practicable Date			As of the [REDACTED]	
	Number of Shares	Number of Preferred Shares	Shareholding percentage <sup>(1)</sup> (%)	Number of Shares	Shareholding percentage (%)
Great Guo FHL	258,153,700	–	50.54	[REDACTED]	[REDACTED]
Springberg FHL	15,325,200	–	3.00	[REDACTED]	[REDACTED]
Sincebloom FHL	20,433,600	–	4.00	[REDACTED]	[REDACTED]
Orchid Lan FHL	169,417,500	–	33.16	[REDACTED]	[REDACTED]
Chengdu New-Eco	–	47,510,000	9.30	[REDACTED]	[REDACTED]
[REDACTED] taking part in the [REDACTED]	–	–	–	[REDACTED]	[REDACTED]
<b>Total</b>	<b>463,330,000</b>	<b>47,510,000</b>	<b>100.00</b>	<b>[REDACTED]</b>	<b>100.00</b>

Note:

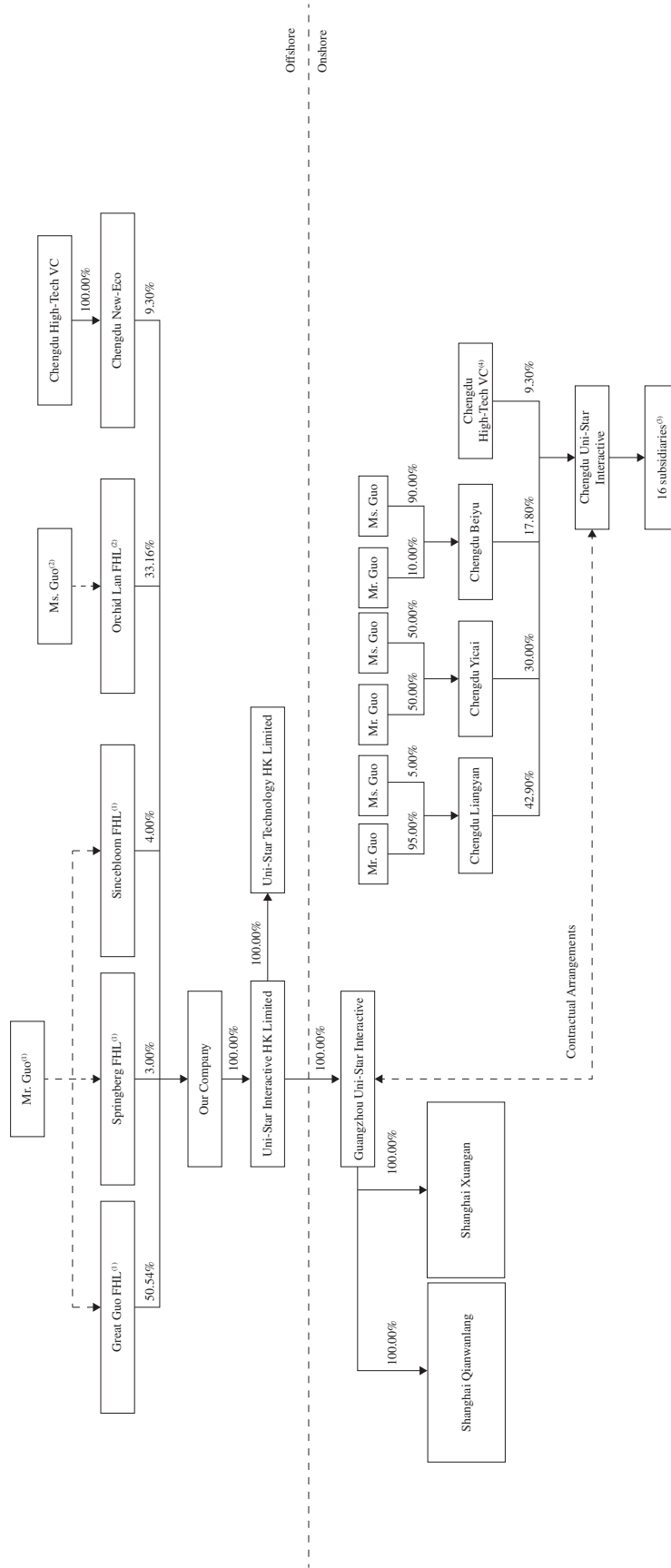
- (1) Based on the assumption that all Preferred Shares have been converted into Shares on a one-to-one basis.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following chart sets forth the shareholding structure of our Group after the Reorganization and immediately prior to the [REDACTED] (assuming all Preferred Shares have been converted into Shares on a one-to-one basis):



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

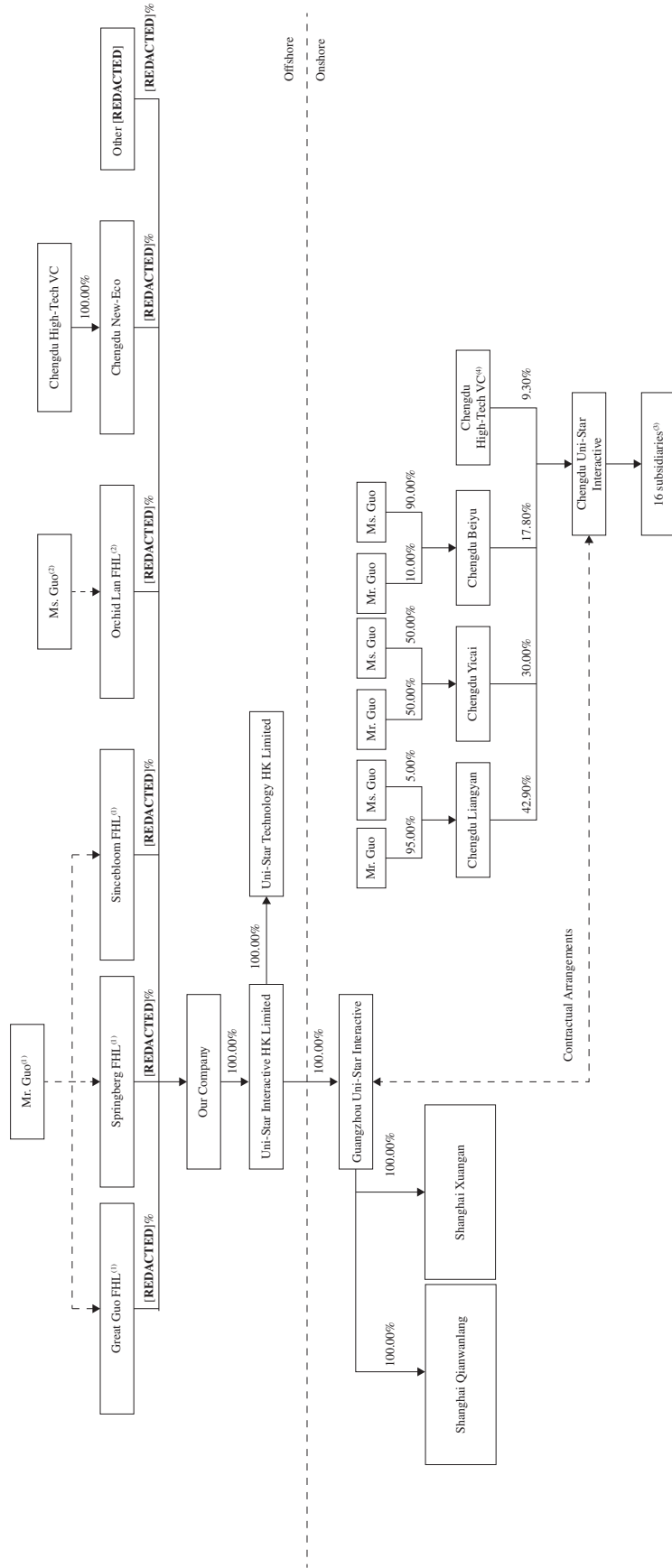
*Notes:*

- (1) Great Guo FHL is owned as to 1% by Great Guo HL (which is wholly owned by Mr. Guo) and 99% by Shining Core International Group Limited (which is wholly owned by Great Guo Family Trust). Springsberg FHL is owned as to 1% by Great Guo HL and 99% by Uni-Sparkle Group Limited (which is wholly owned by Springsberg Family Trust). Sincebloom FHL is owned as to 1% by Great Guo HL and 99% by Galaxy-Shining Group Limited (which is wholly owned by Sincebloom Family Trust). Mr. Guo and Great Guo HL are the beneficiaries of each of Great Guo Family Trust, Springsberg Family Trust, with TMF (Cayman) Ltd. serving as the trustee for each such trust. Pursuant to the deed of settlement constituting each such trust, Mr. Guo is entitled to exercise, at his sole and absolute discretion as the sole member of the investment committee of each such trust, voting rights attached to the Shares held by Great Guo FHL, Springsberg FHL and Sincebloom FHL (as the case may be).
- (2) Orchid Lan FHL is owned as to 1% by Orchid Lan HL (which is wholly owned by Ms. Guo) and 99% by ThinkBoom Group Limited (which is wholly owned by Orchid Lan Family Trust). Ms. Guo and Orchid Lan HL are the beneficiaries of Orchid Lan Family Trust, with TMF (Cayman) Ltd. serving as the trustee for the trust. Pursuant to the deed of settlement constituting the trust, Ms. Guo is entitled to exercise, at her sole and absolute discretion as the sole member of the investment committee of the trust, voting rights attached to the Shares held by Orchid Lan FHL.
- (3) As of the Latest Practicable Date, Chengdu Uni-Star Interactive had 16 wholly-owned subsidiaries, namely, Chengdu Dingqingshan Network Technology Co., Ltd. (成都定青山網絡科技有限公司), Shanghai Aoren Network Technology Co., Ltd. (上海澳仁網絡科技有限公司), Shanghai Jushi Network Technology Co., Ltd. (上海聚市網絡科技有限公司), Chengdu Hehuida Network Technology Co., Ltd. (成都合輝達網絡科技有限公司), Shanghai Yuanxi Network Technology Co., Ltd. (上海圓戲網絡科技有限公司), Shanghai Yuexi Network Technology Co., Ltd. (上海悅戲網絡科技有限公司), Chengdu Herunxuan Network Technology Co., Ltd. (成都合潤軒網絡科技有限公司), Chengdu Jinhongtu Network Technology Co., Ltd. (成都錦宏圖網絡科技有限公司), Hainan Xingbang Interactive Entertainment Network Technology Co., Ltd. (海南星邦互娛網絡科技有限公司), Shanghai Qunong Network Technology Co., Ltd. (上海趣農網絡科技有限公司), Hainan Jianzhi Network Technology Co., Ltd. (海南劍指網絡科技有限公司), Shanghai Pingyekuo Network Technology Co., Ltd. (上海平野闊網絡科技有限公司), Guangzhou Renfengjin Network Technology Co., Ltd. (廣州任風勁網絡科技有限公司), Huludao Xingbang Network Technology Co., Ltd. (葫蘆島星邦網絡科技有限公司) and Yibin Xingcheng Network Technology Co., Ltd. (宜賓星澄網絡科技有限公司).
- (4) For details relating to Chengdu High-Tech VC, see “ — Pre-[REDACTED] Investment — Information about the Pre-[REDACTED] Investor” in this section.

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**OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]**

The following chart sets forth the shareholding structure of our Group immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



Note: See the notes to the paragraph headed “ — Our Structure Immediately Prior to the [REDACTED]” in this section.

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## BUSINESS

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### OVERVIEW

We are a leading mobile game company with integrated development, publishing and operation capabilities in China, with a vision to promote the understanding and appreciation of Chinese culture to the world. Dedicated to reshaping the landscape of China’s mobile game industry and to industrializing the process of game development, publishing and operation, we have successfully achieved rapid growth and expansion since our inception. We distinguished ourselves from peers by offering a diversified game portfolio with various highly recognized games and a robust game pipeline. Specially, we are a pioneer in the instant game sector, which enjoys higher growth rate in recent years as modern game players prefer fun, easily accessible and convenient game experience. Around 90% of our total gross billings of mobile games during the Track Record Period were derived from instant games. Such achievements fully exhibit our technology-backed competitive edge in terms of game development, publishing, and operation, all of which featuring strong data-driven analytical capabilities and highly automated AI technology. Set forth below are some key rankings of our Group in 2023:

- We ranked first among all mobile game companies in China in terms of gross billings derived from instant games.
- We ranked second among all mobile game companies in China in terms of gross billings from Chinese ancient cultural RPG games.
- We ranked third among all mobile game companies in China in terms of gross billing from RPG games.
- We ranked first among all mobile game companies in China in terms of gross billings from idle games.
- We ranked sixth in terms of gross billing among all mobile game companies in China that have integrated development, publishing and operation capabilities.

### Proven Track Record Under Our Industrialized Business Strategy

Since 2017, we have been engaged in an industrialized business strategy that integrates development, publishing, and operation of mobile games, focusing primarily on RPG games. We believe our strategy serves as a robust basis for our proven track record in the mobile gaming sector. This strategy also grants us unique resilience to efficiently counter the inherent risks and challenges in this industry. Owing to the efficiency bolstered by AI-empowered technologies, our overall game portfolio has witnessed a substantial growth in gross billings. In 2023, our annual gross billings was more than ten times that of 2017. In particular, staying primarily focused on RPG games, we successfully incubated many landmark games, such as Nine Realms: Sword & Immortals (九州仙劍傳), Sword Fantasy (天劍奇緣), and others. The enduring success of these games and their prolonged lifecycles beyond the industry average have confirmed the feasibility of our business strategy.

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## BUSINESS

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Since 2022, we strategically refined our model to focus more on self-publishing and diversified our game offerings from RPGs to include SLGs, card games, etc. To accelerate our growth and innovation, we’ve increased our investment and established over ten new R&D teams to support our expansion. The lifecycles of some hit games have gradually entered the recession stage, while our new games were still in the development or early growth phases. We believe the following factors provide solid foundation for us to achieve sustainable development and to improve our profitability, subject to associated risks and challenges:

- **The Enduring Popularity and Prolonged Lifecycle of Landmark Games**

During the Track Record Period, we had landmark games that achieved excellent market reception. For instance, Nine Realms: Sword & Immortals (九州仙劍傳) has the cumulative gross billings of around RMB6.0 billion during the Track Record Period. Sword Fantasy (天劍奇緣), our hottest self-developed game so far, has the cumulative gross billings of around RMB6.0 billion during the Track Record Period. The enduring popularity and success of our landmark games are demonstrated by their prolonged lifecycles. The expected lifecycles of our landmark games are in the range of 54 months to 72 months, significantly surpassing the lifecycle of general RPG games, which ranges from ten months to 24 months, accordingly to Analysys. Notably, as of the Latest Practicable Date, Nine Realms: Sword & Immortals (九州仙劍傳) had been in operation for around 62 months since official launch, Sword Fantasy (天劍奇緣) had been in operation for around 50 months since official launch. Despite reallocating marketing resources towards newer games, both of these games continue to generate profits for us.

- **Strong Performance of Our Newly Launched Games**

Among our new games, Mysterious World: Spirit King (異界深淵:大靈王) is an emerging star. We mostly publish it by ourselves. It gained rapid popularity after we started its game promotion period from July 2024. It has average monthly gross billings of around RMB70.0 million from July 2024 to January 2025. In July 2024, we launched Bamboo Hat World (斗笠江湖), an MMORPG game with a story line of Chinese martial arts. The game is characterized by large-scale national wars and multiplayer battles. We began its promotion period since January 2025. As of the Latest Practicable Date, it has generated a total gross billings of approximately RMB68.0 million.

- **First-mover Advantage in Instant Games to Attract and Reach Wider Player Pool**

We have been focusing on instant games since 2019, and we are among the first batch of mobile game companies to enter the instant game market in China. In 2023, we ranked first among all mobile game companies in China in terms of gross billings derived from instant games. Compared to traditional mobile games, instant games allow game players to enjoy quality gaming experience with quick and convenient access. Our first-mover advantage in this market and strength in developing mobile games with HTML5 technologies allow us to be well-positioned for expected growth in this market.

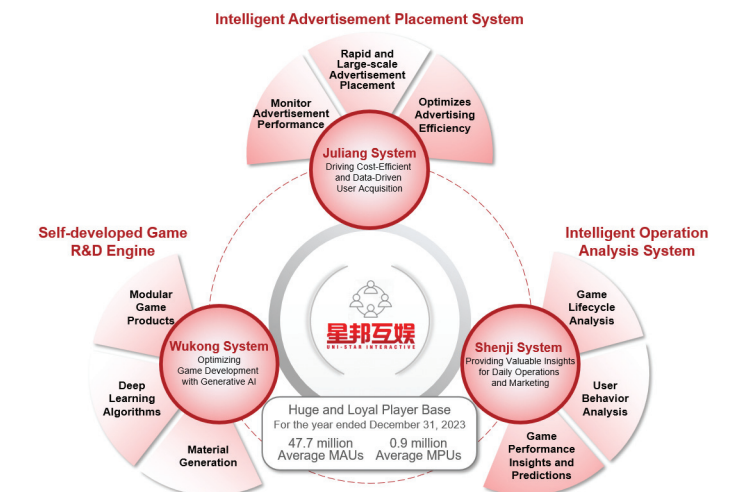
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- **Enhanced R&D, Publishing and Operating Capabilities**

We began to build our own R&D force since 2018. As we continuously accumulate experience, starting from 2020, we gradually adjusted our focus to self-developed games. As of the Latest Practicable Date, our R&D department has expanded to 17 independent R&D teams. We started to focus on self-publishing since 2019 and established an overseas publishing team in 2023. We are dedicated to self-publishing both domestic and overseas versions of our games, which publishing model records higher gross profit margin than third-party publishing model. We are now able to develop, publish and operate games with greater control on game quality and target audience, and more direct interactions with game players, thus leading to improved player satisfaction and loyalty. Also, our enhanced development, publishing and operation capabilities ensure a consistent and unified brand message across the games, therefore, help enhance our brand awareness. Furthermore, such enhanced capabilities help us save huge costs associated with outsourcing, such as commissions and license fees, therefore allowing us to better optimize our resources.

### Our Business Process and Technological Infrastructure

Leveraging our strong technology capability, we have developed proprietary supporting systems that each serve a key function throughout the lifecycle of a game product, namely Wukong System (孫大聖系統), Juliang System (聚量系統) and Shenji System (神機系統). For more details, see “— Technology and Infrastructure” in this section. These systems empowered our staff to conveniently adopt data-driven and AI-empowered tools in their daily work, effectively optimized efficiency, quality and effectiveness of our R&D, publishing, as well as operation and promotion. The diagram below illustrates the interplay between our business process and our major technological infrastructure:



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- *Wukong System (孫大聖系統) — Optimizing Game Development Supported with Generative AI.* Conventional game development processes often rely heavily on R&D personnel, leading to a time-consuming and error-prone development process. However, Wukong System, our self-developed game engine, categorizes useful data from existing game products, including storyline, core gameplay, graphic design, and artistic style into reusable and inter-linkable modules. Such modular design allows for repetitive uses of various modules in different combinations for different games, which helps us to save time, streamline the game development process, and to avoid human errors. Moreover, Wukong System monitors important metrics to predict and resolve potential issues, ensuring a smooth and efficient development process. Beginning in 2023, we have employed generative AI from industrial leading vendors. The utilization of generative AI helps boost efficiency and lower costs for R&D, game optimization and promotion. In summary, Wukong System help save time, reduce human errors and enhance efficiency in the development of a game.
- *Juliang System (聚量系統) — Driving Cost-Efficient and Data-Driven User Acquisition.* Our intelligent advertisement placement system, Juliang System, has significantly enhanced our advertising efficiency, providing a cost-efficient and data-driven approach to user acquisition. We use Juliang System to conduct small-scale advertising tests, create and put up materials, monitor and analyze advertising performance, accurately identify effective advertising materials, suitable target platforms and audiences. We also use Juliang System to automatically carry out large-scale advertisement campaign to quickly and effectively promote our games. As we continuously upgrade and optimize Juliang System, it can automatically generate up to 600,000 advertisement per year in 2023.
- *Shenji System (神機系統) — Providing Valuable Insights for Daily Operations and Marketing.* Our intelligent operation analysis system, Shenji System, has played a key role in game performance analysis. Our Shenji System is instrumental in calculating and making quantitative analyses based on game operating information. By analyzing and comparing operating data of our game across various parameters, such as average DAUs, average MAUs, and AGBPPU, lifetime value, and player retention rates within its lifecycle, our Shenji System provides valuable insights into the game performance fluctuations and make predictions of game performance. By analyzing and comparing operating data among our games, we are able to make informed decisions on how to allocate promotion resources to games with different growth potentials.

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### Our Financial Performance and Growth Potential

In 2022, 2023 and for the nine months ended September 30, 2023 and 2024, we generated a revenue of RMB5,675.1 million, RMB5,327.1 million, RMB4,261.4 million and RMB2,094.5 million, respectively. In 2022, 2023 and for the nine months ended September 30, 2023, we generated a profit of RMB328.2 million, RMB197.1 million and RMB178.2 million, respectively. For the nine months ended September 30, 2024, we recorded a loss of RMB47.2 million. We experienced a decrease in revenue and profit during the Track Record Period primarily because certain of our landmark games, namely Nine Realms: Sword & Immortals (九州仙劍傳), Demon Hunter (黎明召喚), Mysterious World: Spirit King (異界深淵:覺醒) were reaching the recession stage of their lifecycle and Sword Fantasy (天劍奇緣) experienced huge fluctuations in its maturity stage, while our newly launched games, such as Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途) were still in their early growth stages. The two games had experienced rapid increase in gross billings since their launch in late 2023. Specifically, Mysterious World: Spirit King (異界深淵:大靈王), officially launched in August 2023, generated gross billings of approximately RMB92.1 million and RMB399.6 million in 2023 and for the nine months ended September 30, 2024, respectively; Sword Path of the Mountain and Sea (山海劍途), officially launched in June 2023, generated gross billings of approximately RMB27.1 million and RMB146.6 million in 2023 and for the nine months ended September 30, 2024, respectively. In addition, we had a total of twelve mobile games in operation and a pipeline of 18 games that we plan to launch by 2027, covering a variety of genres, such as RPGs, card games, SIMs, and SLGs. We expect that the great revenue generation abilities of our newly launched landmark games, as well as the continuing roll-out of diverse games in our pipeline will continue to drive our revenue generation in the future and enhance our long-term growth potential.

Building on our successful history in game operations, we aim to expand and diversify our game portfolio through both in-house development and collaboration with third parties. As of the Latest Practicable Date, we had a game pipeline of 18 games, consisting of 15 self-developed games and three licensed games. For details, see “— Our Games — Our Game Pipeline” in this section. We plan to launch five self-developed games and one licensed game in 2025, eight self-developed games and two licensed game in 2026, and two self-developed games in 2027. Furthermore, in addition to continuously dedicating our efforts to RPG games, we plan to expand into other genres, such as card games, SIMs, SLGs, and more going forward.

### Instant Games

We have been focusing on instant games since 2019, and we are among the first batch of mobile game companies to enter the instant game market in China. Instant games are developed based on HTML5, and other similar technologies, and are designed to be embedded in mini-programs of WeChat, Douyin and other online platforms. In a few instances, developers of instant games will transform the games into App format and offer for downloads through app stores. As of the Latest Practicable Date, almost all of our existing games can run through mini-programs of online platforms. Gross billings derived from instant games accounted for around 90% of our total gross billings of mobile games during the Track Record Period.



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Leveraging our HTML5 technologies for developing mobile games with webpage accessibility, we can efficiently develop our games as instant games with a low cost. We have been committed to this path because the increasing pace of life has led to more fragmented time. Game players prefer fun, easily accessible and convenient game experience. As compared to traditional app-based games, instant games can offer rich and detailed gameplay, such as RPG games with intricate scenes, without the need for downloads of large-sized APPs or login steps once players access online platforms. This approach better aligns with the trend towards lightweight development. Popular online platforms can help us reach much wider audience and maximize the potential for success.

### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and position us for continued growth:

#### **China’s Leading Mobile Game Company with Industrialized R&D, Publishing and Operation Capabilities**

We are a leading mobile game company with integrated development, publishing and operation capabilities in China, with a vision to promote the understanding and appreciation of Chinese culture to the world. Dedicated to reshaping the landscape of China’s mobile game industry and to industrializing the process of game development, publishing and operation, we successfully achieved rapid growth and expansion since our inception. We distinguished ourselves from peers by offering a diversified game portfolio with various highly recognized games and a robust game pipeline. Specially, we are a pioneer in the instant game sector, which enjoys higher growth rate in recent years as modern game players prefer fun, easily accessible and convenient game experience. Around 90% of our total gross billings of mobile games during the Track Record Period were derived from instant games. Such achievements fully exhibit our technology-backed competitive edge in terms of AI-empowered game development, publishing, and operation, all of which featuring strong data-driven analytical capabilities and highly automated AI technology.

Our success is largely attributed to our industrialized business strategy. The development process and workflows of our games are highly modularized and streamlined. Aided with Wukong System, we are able to create, organize and utilize prefabricated materials in game development processes, which materials can be assembled in different combinations by our R&D personnel as they need or see fit. Such streamlined R&D process gives us a huge productivity boost. We believe that our business model will enable us to develop and launch popular games in an efficient and scalable manner.

In terms of game operation, we also leverage our advanced data driven analytical systems, such as Zhuge System and Shenji System to effectively help us understand player behavior patterns and game performance, enabling precise analysis and optimization of gameplay to enhance mobile game R&D and operation efficiency. Additionally, we remain committed to

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systematic digital marketing. Supported by Juliang System, we can monitor our advertisement performance and form effective plans to optimize advertising efficiency across distribution channels and different audiences.

### **Efficient Game Development Process Supported by AI Technology To Create High Quality Games**

Aided with our proprietary AI-empowered supporting systems, we have formed a systematic methodology in game development, allowing us to continuously roll out popular games in an industrialized manner. These systems help us optimize our game development process with high automation level, allowing us to achieve high productivity and short development cycles. Our development process is highly efficient, with our average development cycle of our six landmark games being less than 20 months, notably shorter than industry average. For instance, we developed Sword Fantasy (天劍奇緣) in less than 12 months. Since our AI-enhancement in 2023, our Wukong System has significantly boosted game development process in various aspects. For instance, without using Wukong System, it generally takes around five days for one R&D personnel to prepare a rough original artwork or concept art for a game, while takes around ten days per person to prepare a high-quality original artwork or concept art. In contrast, by using the Wukong System to generate original art automatically and then refining it manually, rough artwork can be produced in one day per person, and high-quality artwork can be produced in two days per person, which is notably shorter than sole manual work.

We place great importance on the development of our in-house R&D team and aim to increase the proportion of senior R&D personnel to establish a top-notch R&D team. As of September 30, 2024, our R&D team consisted of 494 members with a range of experience and expertise, accounting for around half of our total employees. We have implemented various incentive initiatives and performance reviews to encourage innovation. We have also established a project management process for game development that encompasses the entire development process, from initial proposal design to gameplay assessment, game production and optimization, public testing, and official launch.

### **Systematic Game Publishing Capabilities and Optimized Game Promotions To Achieve Market Leadership**

We possess systematic game publishing capabilities that enable us to successfully monetize our mobile games. Our publishing model includes both self-publishing and third-party publishing, while we place greater emphasis on self-publishing. Before officially launching a game, we conduct comprehensive tests, starting with internal testing before gradually expanding to external users, to profile the game’s target users and their preferences. We tailor our publishing plans (self-publishing and/or third-party publishing) for each game based on its game features, user interests, and characteristics of targeted regions and users comprehensively. We have established strong relationships with a range of third-party publishers, leveraging their industry expertise and market reputation and influences in specific

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regions, we are able to expand our reach to broader geographic regions and customer pools. During the Track Record Period, through these collaborations, we have successfully brought new games to market and expanded our player base.

We employ data analysis tools to generate various operational metrics and gather extensive feedback. For instance, our Juliang System enables rapid and large-scale advertisement delivery and optimizes advertising efficiency through data analysis. Additionally, our Shenji System provides precise analysis of user behavior and in-depth user insights, enabling us to tailor corresponding marketing campaigns. Continuously updating and improving our games, we offer fresh and engaging experiences to retain current players and extend the lifecycle of our mobile games. The expected lifecycle of our six landmark games in operation range from 54 months to 72 months, which is significantly longer than the industry average ranging from ten months to 24 months for RPG games in China, according to Analysis.

### **Fast-growing Player Base Supported by In-depth Player Insights and Proprietary Technology Infrastructure**

Our success in the mobile game industry can be attributed to our high-quality and fast-growing player base, which in turn is enabled by our strong AI-powered technology platform and robust data analysis capabilities. For example, Zhuge System (諸葛亮系统) uses AI-powered algorithms for in-game user- and campaign-based analysis, allowing us to process vast amounts of data and gain real-time insights into player acquisition, retention, and growth opportunities. It helps us identify new game players, summarize their characteristics and preferences, and compare them with those of our existing players. By aggregating various user metrics, the system creates player profiles that include demographics, behaviors, and in-game purchase intent, which facilitates our marketing campaigns across various channels.

Our technology platforms, in combination with our in-depth player insights, have enabled us to increase our cumulative registered players from 1.0 billion in 2022, continued to increase to 1.5 billion in 2023, and further increased to 1.7 billion as of September 30, 2024. In addition, as we endeavored to increase the customer stickiness and willingness to purchase with the aid of our intelligent analytics capabilities, the AGBPPU of our games in 2022, 2023 and the nine months ended September 30, 2024 amounted to RMB490, RMB524 and RMB456, respectively. Our landmark games have played a crucial role in our remarkable growth and have established a strong foundation for acquiring an increasing number of paying users.

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### **Seasoned and Visionary Management Team**

Our senior management team possesses extensive experience, in-depth insight into market trends, and rich operational expertise. Our senior management members on average have over ten years’ industry experience. Their guidance has successfully navigated us through the rapidly evolving industry and competitive landscape. Besides, as of September 30, 2024, around 55.9% of our R&D personnel possesses bachelor’s degrees or above.

Ms. Guo Xiaolan (郭小蘭), our Chairperson of the Board, has over 15 years of business management experience. Since 2009, Ms. Guo has been focusing on the game market. Leveraging her extensive experience in the internet industry since 2003, she keenly identified the rise of mobile games at the very beginning of their development in 2010, and quickly immersed herself in the growth of the mobile game sector. With years of industry accumulation, Ms. Guo is now widely recognized as a pioneer and a seasoned veteran in the industry. She now efficiently supervises and oversees the management operations, game development and strategic planning of our Group. Mr. Liang Haijian (梁海健), our executive Director and vice president, is responsible for the R&D of our games. He has approximately thirteen years of experience in the game industry. Ms. Li Song (李松), our Chief Financial Officer, is a certified public accountant with more than ten years of experience in accounting. She brings extensive financial expertise and management experience to our team. Ms. Zhu Haixia (朱海霞), our vice president and Joint Company Secretary, has over a decade of experience in human resources management. Her insights into administrative operations have been instrumental in optimizing our human resources.

Each member of the core management team is deeply involved in every aspect of game development, ensuring efficient decision-making and implementation. We believe that their industry experience and vision have led us to our industry position. Such achievement has strengthened our presence and market share and laid a solid foundation for our further development. In the future, our management team will continue to lead us in capturing market opportunities and ensuring our rapid and sustainable growth.

Our vision is to promote the understanding and appreciation of Chinese culture to the world through cultural and technological innovation. To drive our continued growth and achieve this vision, we will implement the following strategies:

### **Continue To Strengthen Our Industrialized Business Strategy and Enrich Our Game Portfolio**

We are dedicated to “integration of game development, publishing and operation” strategy, and consistently prioritize the enhancement of our industrialized business strategy. As our business expands, we will continue to strengthen our game development team and advance our R&D capabilities by both attracting external talent and cultivating our own outstanding employees. We have developed and will continue to identify and incubate game producers who display strong innovation and game design talent. We plan to provide our game producers with more resources in game development and optimization, and help them gain more experience

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and improve their leadership. In addition, we will continue to utilize our expertise in publishing games, while maintain an open mind towards licensed games developed by other game developers. For details, see “— Our Games — Our Game Pipeline” in this section.

In addition, leveraging our industrialized model, we also plan to expand our game portfolio and develop additional games that are not currently part of our existing pipeline. In the next phase of our expansion, we intend to focus our resources to continue to develop our games in Chinese ancient culture themes. While we used Chinese fairies a lot, we plan to introduce some historical figures, stories and culture in our games in the future. Furthermore, we plan to expand into other game genres, such as card games, SLGs, and more. For details, see “Future Plans and Use of [REDACTED]” in this document.

### **Continue To Enhance Our AI Technology And Infrastructure**

We are committed to enhancing our technological infrastructure to streamline and improve the whole development, publishing and operation cycle of our games. To achieve this, we plan to invest in new technologies and optimize our existing systems to improve efficiency and productivity. This includes improving our analytics systems to advance our data analysis capabilities, and investing in the improvement of our technology platforms. Our strategy includes the large-scale adoption of AI technologies, especially generative AI technologies provided by industrial leading vendors. Generative AI’s transformative capabilities, particularly in automatic creation of text, images, audios, 3D models and other content, stand to substantially accelerate game development processes, enhancing speed and efficiency. Through the application of generative AI, we plan to extract invaluable insights into player behaviors and preferences, enabling us to craft more personalized and immersive gaming experiences.

### **Continue To Enhance Publishing and Marketing Capabilities To Expand the Player Base And Improve Player Stickiness**

We plan to enhance our publishing capabilities by expanding our in-house team. We will hire talent in areas such as community management, social media, and other marketing channels, allowing us to improve our player acquisition and retention strategies. Among these, we plan to start focusing on expanding our sales and marketing team and improving our media deployment methods. To meet the growing demands, we also plan to expand our offices and facilities. This will enable us to accommodate our growing team and facilitate the smooth execution of our marketing activities.

As we are actively exploring diverse marketing channels, we will continue to deepen and strengthen our collaboration with Tencent Advertisement (騰訊廣告), Toutiao (今日頭條), Ocean Engine (巨量引擎), Douyin (抖音) and Kuaishou (快手), for advertisements. To achieve this, we will implement various strategies, such as generating engaging and relevant content, actively engaging with our player community, promoting our games through KOLs, and exploring new marketing channels and tactics. With our expertise in game publishing, customized marketing campaigns, and efficient traffic acquisition, we aim to acquire high-quality players in a cost-effective manner.

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A large, loyal, and active user base is the foundation of our continued growth. To expand our player base, increase their interaction with us, and raise their awareness of our brand, we plan to: (i) offer more engaging gameplay. For example, we plan to conduct a detailed analysis of user preferences and continuously upgrade and update our mobile games, create engaging topics, and drive marketing momentum through user interactions; (ii) establish and operate game player communities and encourage interaction among game players; (iii) continue to organize offline events to provide interactive experience; and (iv) carry out game internal updates and other promotional activities.

### **Continue To Expand Our Overseas Business**

According to Analysys, the overseas sales revenue of independently developed games in China continues to grow. Currently, the foreign versions of our existing games are operated by ourselves and also through local third-party publishers. In the future, we plan to launch games overseas mainly through our in-house publishing efforts. In particular, we have gradually established our overseas publishing team since June 2023 with the goal of publishing and operating the overseas versions of our games. We plan to launch foreign versions of existing games, such as *Sword Fantasy* (天劍奇緣), and to launch new games in overseas market in the next two years. We will strategically focus on mobile game markets in Hong Kong, Macau, Taiwan, Korea, and Southeast Asia, such as Singapore and Malaysia, and gradually expand to other countries and regions such as Japan, Europe, and the United States over the next two to three years.

In light of the differences in market characteristics between the domestic market and the overseas markets, we are poised to further penetrate the overseas markets through deepening cooperation with iOS App Store, Google Play, One Store and as well as other major foreign distribution channels. We are also actively collaborating with global well-known game publishers to increase our market share in overseas markets. When it comes to marketing and promoting our games, we will proactively leverage well-known social media platforms like TikTok, YouTube, Twitter, and Facebook.

### **Seek Strategic Alliances and Investment Opportunities**

We plan to seek strategic alliances and investment opportunities to reinforce our market position, improve our R&D capabilities, and increase our competitiveness. We aim to concentrate on prospective upstream and downstream participants in the value chain of the mobile game industry. These may include game development studios, marketing technology companies, and game developers with a proven track record of developing high-quality games. This will enable us to create synergies with our existing business and expand our business boundaries. We intend to utilize the complementary products, services, and resources of target companies to support the diversification of our business and acquire experienced game development and publishing personnel. For example, we will continue to collaborate with third-party developers as strategic partners, through licensing in their games.

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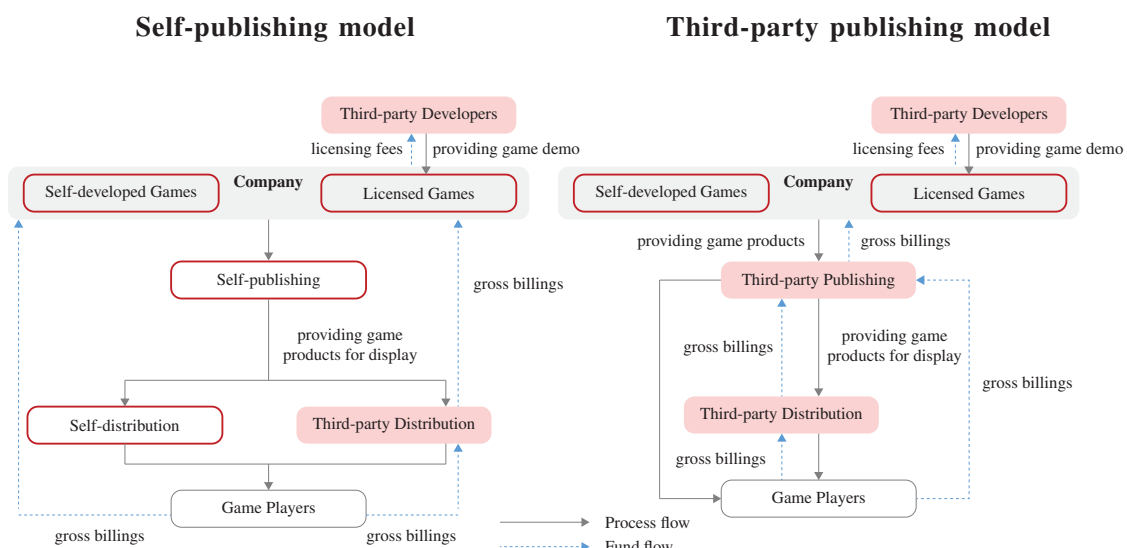
Our investment plans will be evaluated based on multiple factors, including the target company’s competitive advantage, the expertise of the management team, the expected returns, and the risks involved. Strategic acquisitions or investments in potential game developers and content providers will allow us to acquire talent resources and improve the flexibility and efficiency of our personnel. While we are actively identifying opportunities, as of the Latest Practicable Date, we had no specific acquisition plans, nor had we identified any specific targets in this regard.

### OUR BUSINESS MODEL

During the Track Record Period, we published and operated games that are developed by ourselves, as well as games licensed from third-party developers that we consider with strong potential. In addition, while we focus on continuously enhancing our in-house publishing capability, we also engaged third-party publishers when we consider their capability may effectively complement our business operations, taking into account their established distribution channels, game marketing and promotion capabilities, as well as market reputation and influence. To allow our games to achieve optimal public exposure and enable game players to enjoy convenient access, we adopt comprehensive distribution channels for self-publishing, comprising (i) our self-operated distribution channels, such as our official website and our WeChat official account; and (ii) various third-party distribution channels, such as iOS App Store, WeChat mini program, OPPO game center and vivo mini game.

Our mobile games are currently offered on free-to-play basis, where revenue are generated from the sales of in-game virtual items, such as consumables, avatars, skills, privileges, or other in-game features or functions. During the Track Record Period, we generated revenue from our mobile games through four different models as illustrated below, depending on whether the games were self-developed or licensed from third-party developers and whether they were self-published or third-party published.

The flow-charts exemplifying our business model and fund flow are provided below:



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The following table sets forth a breakdown of our revenue by source in absolute amounts and as percentages of our total revenues for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-developed games	2,799,007	49.3	2,949,015	55.4	2,272,937	53.3	1,560,938	74.5
Licensed games <sup>(1)</sup>	2,876,075	50.7	2,378,088	44.6	1,988,444	46.7	533,569	25.5
<b>Total</b>	<b><u>5,675,082</u></b>	<b><u>100.0</u></b>	<b><u>5,327,103</u></b>	<b><u>100.0</u></b>	<b><u>4,261,381</u></b>	<b><u>100.0</u></b>	<b><u>2,094,507</u></b>	<b><u>100.0</u></b>

*Note:*

- (1) Revenue generated from licensed games was mainly from Nine Realms: Sword & Immortals (九州仙劍傳) during the Track Record Period.

The revenue contribution of our self-developed games among all games increased from 49.3% in 2022 to 55.4% in 2023, and increased from 53.3% for the nine months ended September 30, 2023 to 74.5% for the nine months ended September 30, 2024. The significant increase in the revenue contribution of self-developed games during the Track Record Period was primarily driven by our enhanced R&D capabilities, as a result of our accumulated experience in developing mobile games and utilization of cutting-edge game development technologies.

The following table sets forth a breakdown of our revenues by publishing model in absolute amounts and as percentages of our total revenues for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
<b>Revenue</b>								
Self-publishing model	1,679,754	29.6	1,185,807	22.3	926,416	21.7	715,108	34.1
Third-party publishing model	3,995,328	70.4	4,141,296	77.7	3,334,965	78.3	1,379,399	65.9
<b>Total</b>	<b><u>5,675,082</u></b>	<b><u>100.0</u></b>	<b><u>5,327,103</u></b>	<b><u>100.0</u></b>	<b><u>4,261,381</u></b>	<b><u>100.0</u></b>	<b><u>2,094,507</u></b>	<b><u>100.0</u></b>

## OUR GAMES

During the Track Record Period, we generated all of our revenue from mobile games, with amounts of RMB5,675.1 million, RMB5,327.1 million and RMB2,094.5 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. Our mobile game offerings mainly consist of RPGs. According to Analysys, we ranked third among all mobile game



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companies in China in terms of gross billing from RPG games in 2023. In terms of game playing patterns, our games are mainly idle games. According to Analysys, we ranked first among all mobile game companies in China in terms of gross billings from idle games in 2023 and third among all mobile game companies in China in terms of gross billing from RPG games in 2023.

Our games typically have strong storylines and provide players with immersive and engaging experiences in their leisure time. Players may role-play our game characters, explore the virtual worlds, gather resources, amass collectibles, and upgrade their avatars, while dynamic in-game events continue to unfold. With captivating graphics and music, our games offer a smooth learning curve and a relaxing gameplay experience that integrates seamlessly into the daily routines of our players.

Our games typically experience three lifecycle stages, which include (i) the growth stage, during which we build up an game player base and achieves market coverage; (ii) the maturity stage, during which the number of users and gross billings generally remain stable; and (iii) the recession stage, during which the number of active players and gross billings decrease significantly.

The expected lifecycles of our games in operation as of the Latest Practicable Date ranged from 54 months to 72 months. Our games’ relatively long lifecycles were primarily attributable to (i) our proactive approach to update and optimize our games for the purpose to maximize their performance; (ii) periodical release of game updates (including new content and features) for our games to continuously provide fresh and engaging experiences to our players; (iii) monthly and seasonal sale packages with discounts on virtual items or special virtual gifts, particularly during National Day holidays, Double 11 Shopping Season, and Lunar New Year to retain our existing users and to increase user stickiness; and (iv) our targeted promotional activities and advertisements to target users based on the analysis of historical campaign performance.

### **Our Existing Game Portfolio**

As of the Latest Practicable Date, we had twelve mobile games in operation, which consisted of six ARPG games, three MMORPG games, one SIM game and two ARPG card game. During the Track Record Period, we had six landmark games, namely, Nine Realms: Sword & Immortals (九州仙劍傳), Sword Fantasy (天劍奇緣), Demon Hunter (黎明召喚), Mysterious World: Awakening (異界深淵:覺醒), Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途), which contributed to 95.0%, 96.0%, and 96.7% of our total revenue of all games in 2022, 2023 and the nine months ended September 30, 2024.

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The following table sets out the details of our six landmark games as of the Latest Practicable Date:

No.	Title	Game Genre and Playing Pattern	Language	Official Launch Date <sup>(1)</sup>	Source	Publishing Model(s) as of the Latest Practicable Date	Lifecycle Stage as of the Latest Practicable Date	Expected Lifecycle <sup>(2)</sup>	Remaining Duration of Lifecycle as of the Latest Practicable Date	Major Markets <sup>(4)</sup>
1	Nine Realms: Sword & Immortals (九州仙劍傳)	ARPG, idle	Simplified Chinese	December 2019	Licensed	Self-publishing and third-party publishing	Recession	72 months	ten months	China
2	Sword Fantasy (天劍奇緣)	ARPG, idle	Simplified Chinese, Traditional Chinese, English	November 2020	Self-developed	Self-publishing and third-party publishing	Maturity	72 months	21 months	Asia & Pacific regions
3	Demon Hunter (黎明召喚)	MMORPG, idle	Simplified Chinese, English, Japanese, Korean, German, French, Spanish, Portuguese	October 2020; June 2021 to October 2022 <sup>(3)</sup>	Self-developed	Self-publishing and third-party publishing	Recession	60 months	eight months	Asia & Pacific regions, Europe and the Americas, Middle-east regions
4	Mysterious World: Awakening (異界深淵:覺醒)	ARPG, idle	Simplified Chinese, Korean, English	May 2021	Self-developed	Self-publishing and third-party publishing	Recession	54 months	nine months	Asia & Pacific regions, Europe and the Americas
5	Mysterious World: Spirit King (異界深淵:大靈王)	ARPG, idle	Simplified Chinese	August 2023	Self-developed	Self-publishing and third-party publishing	Growth	72 months	54 months	China
6	Sword Path of the Mountain and Sea (山海劍途)	ARPG card game, idle	Simplified Chinese	June 2023	Self-developed	Self-publishing and third-party publishing	Growth	72 months	52 months	China

*Notes:*

- (1) Official launch date is the date when the management team determines to launch the game based on the operating performance of the game during the testing period.
- (2) Expected lifecycles (in months) are estimated based on the industry average lifecycles for different genres of games, as well as our past experience operating similar games and gross billings generated by the relevant game. However, the actual lifecycles of these games may differ from the durations presented in the table.
- (3) The Chinese version was launched in October 2020; overseas versions were launched during the period from June 2021 to October 2022.
- (4) Major markets are those that we considered to be of strategic importance.

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The following table sets forth the revenue contribution of our landmark games for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Landmark Games</b>								
<i>Nine Realms: Sword &amp; Immortals (九州仙劍傳) – licensed</i>								
	2,846,502	50.1	2,303,441	43.3	1,927,956	45.2	527,209	25.2
<i>Sword Fantasy (天劍奇緣) – self-developed</i>								
	2,200,619	38.8	2,514,386	47.2	1,975,610	46.5	943,599	45.0
<i>Demon Hunter (黎明召喚) – self-developed</i>								
	84,494	1.5	59,979	1.1	34,682	0.8	25,980	1.2
<i>Mysterious World: Awaking (異界深淵: 覺醒) – self-developed</i>								
	258,868	4.6	124,800	2.4	109,886	2.6	30,383	1.5
<i>Mysterious World: Spirit King (異界深淵: 大靈王) – self-developed</i>								
	–	–	86,207	1.6	25,900	0.6	361,373	17.3
<i>Sword Path of the Mountain and Sea (山海劍途) – self-developed</i>								
	–	–	22,917	0.4	6,365	0.1	136,374	6.5
<b>Other Games</b>	<u>284,599</u>	<u>5.0</u>	<u>215,373</u>	<u>4.0</u>	<u>180,982</u>	<u>4.2</u>	<u>69,589</u>	<u>3.3</u>
<b>Total</b>	<u><b>5,675,082</b></u>	<u><b>100.0</b></u>	<u><b>5,327,103</b></u>	<u><b>100.0</b></u>	<u><b>4,261,381</b></u>	<u><b>100.0</b></u>	<u><b>2,094,507</b></u>	<u><b>100.0</b></u>

*Note:*

\* During the Track Record Period, revenue generated from each game included revenue generated from the public testing stage (where applicable), which were immaterial.

## BUSINESS

### Our Game Pipeline

As of the Latest Practicable Date, we had a game pipeline of 18 games, consisting of 15 self-developed games and three licensed games. Our game pipeline covers various genres, including ARPG, MMORPG, card game, and SLG.

The following table sets forth certain information in relation to our game pipeline that we deem important:

No.	Title	Source	Format/Genres	Publishing Model(s)	Proposed Official Launch Date	Estimated Major Markets	Development stage as of the Latest Practicable Date <sup>(1)</sup>
1	New Game A	Licensed	MMORPG	Self-publishing + third-party publishing	2025 Q2	Global	Testing
2	New Game B	Self-developed	ARPG	Self-publishing + third-party publishing	2025 Q2	Global	Development
3	New Game C	Self-developed	ARPG	Self-publishing + third-party publishing	2025 Q3	Hong Kong, Macau, Taiwan, Singapore, Malaysia, Korea	Testing
4	New Game D	Self-developed	ARPG	Self-publishing + third-party publishing	2025 Q3	Global	Testing
5	New Game E	Self-developed	Turn-based	Self-publishing + third-party publishing	2025 Q4	Global	Development
6	New Game F	Self-developed	ARPG	Self-publishing + third-party publishing	2025 Q4	Global	Development
7	New Game G	Self-developed	SLG	Self-publishing + third-party publishing	2026 Q1	Global	Development
8	New Game H	Licensed	MMORPG	Self-publishing + third-party publishing	2026 Q1	Global	Development
9	New Game I	Self-developed	ARPG	Self-publishing + third-party publishing	2026 Q1	Global	Development

**BUSINESS**

No.	Title	Source	Format/Genres	Publishing Model(s)	Proposed Official Launch Date	Estimated Major Markets	Development stage as of the Latest Practicable Date <sup>(1)</sup>
10	New Game J	Self-developed	Card game	Self-publishing + third-party publishing	2026 Q2	Global	Development
11	New Game K	Self-developed	Card game	Self-publishing + third-party publishing	2026 Q2	Global	Development
12	New Game L	Self-developed	Card game	Self-publishing + third-party publishing	2026 Q3	Global	Development
13	New Game M	Self-developed	ARPG	Self-publishing + third-party publishing	2026 Q3	Global	Development
14	New Game N	Self-developed	ARPG	Self-publishing + third-party publishing	2026 Q3	Global	Development
15	New Game O	Licensed	MMORPG	Self-publishing + third-party publishing	2026 Q4	Global	Development
16	New Game P	Self-developed	ARPG	Self-publishing + third-party publishing	2026 Q4	Global	Development
17	New Game Q	Self-developed	Turn-based	Self-publishing + third-party publishing	2027 Q1	Global	Development
18	New Game R	Self-developed	Card game	Self-publishing + third-party publishing	2027 Q2	Global	Development

*Note:* Our game pipeline is indicative as of the Latest Practicable Date. The title, language, major markets, proposed official launch date and other information of each game in the pipeline may be subject to changes according to their respective development and market conditions.

## BUSINESS

### Our Landmark Games

#### *Nine Realms: Sword & Immortals (九州仙劍傳)*



Nine Realms: Sword & Immortals (九州仙劍傳), officially launched in December 2019, is a customized licensed game that is jointly developed by us and a third-party game developer. It features oriental fantasy and chivalric romance. With a broad selection of classes, occupations, and gameplay, game players role-play warriors gliding and battling against ancient beasts in the game’s 360-degree panoramic wonderland, to gain and seek the pinnacle of spiritual power with the help of different virtual items, such as armor, swords, gems, and weapons. Along the journey, the characters can incubate divine beasts, which can join battles, and enhancing the characters’ strength. In general, game players simply click on this game occasionally for the plot to proceed and enhance the character’s capabilities. It delivers a self-contained and standalone experience for game players of competitive action. We published it by ourselves and through third-party publishers. We distribute Nine Realms: Sword & Immortals (九州仙劍傳) through our official website and our WeChat official account, and through a number of third-party distribution channels in China, such as WeChat mini program, Huawei App store, and vivo mini game. On February 5, 2023, we renewed our license agreement with respect to Nine Realms: Sword & Immortals (九州仙劍傳), which will expire on February 5, 2025, subject to further renewal upon mutual agreement of the parties.

Nine Realms: Sword & Immortals (九州仙劍傳) generated gross billings of approximately RMB3,070.9 million, RMB2,382.0 million and RMB538.0 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. The game had average DAUs of approximately 1,607,777, 1,197,186 and 340,194 in 2022, 2023 and the nine months ended September 30, 2024, respectively. As of September 30, 2024, the game had approximately 893.8 million cumulative registered players. Furthermore, the game was awarded the Most Promising Instant Game (最具潛力小遊戲獎) by OPPO Developer Conference (OPPO開發者大會) in 2021, and the Outstanding Instant Game of the Year (年度優秀小遊戲獎) from OPPO Developer Conference (OPPO開發者大會) in 2022.

## BUSINESS

### Sword Fantasy (天劍奇緣)



Sword Fantasy (天劍奇緣), officially launched in November 2020, is a self-developed ARPG game featuring Chinese fairies. Gameplay roles are dressed in ancient costume, gliding and battling against monsters in the game’s 360-degree fairyland, in order to increase their spiritual power with the help of different virtual items, such as armor, swords, gems, and weapons. In general, game players simply click on this game occasionally for the plot to proceed and enhance the character’s capabilities. We published it by ourselves and through third-party publishers. We distribute Sword Fantasy (天劍奇緣) through our official website and our WeChat official account, and through a number of third-party distribution channels in China, such as WeChat mini program, OPPO game center, and vivo mini game. We also collaborate with advertising and marketing agencies to promote our games. During the Track Record Period, in addition to simplified Chinese, Sword Fantasy (天劍奇緣) also had two regional version supported in Traditional Chinese and English in Hong Kong, Macau, and Taiwan, Singapore and Malaysia.

The gross billings of Sword Fantasy (天劍奇緣) significantly increased from approximately RMB2,413.9 million in 2022 to RMB2,671.5 million in 2023. For the nine months ended September 30, 2024, it generated gross billings of approximately RMB954.3 million. The game had approximately 480.5 million cumulative registered players as of September 30, 2024. Furthermore, the game received the Outstanding Contribution Award (突出貢獻獎) from OPPO Marketing Platform (OPPO營銷平台) in 2022.

## BUSINESS

### *Demon Hunter (黎明召唤)*



Demon Hunter (黎明召唤), officially launched in October 2020, is a self-developed MMORPG game featuring a magic world in the Dark Ages with devils, dragons and castles. Game players role-play masters, gliding and battling against devils, dragons and monsters in the castles, with the help of different virtual items, such as war robe, magic wand, crown, etc. Along the journey, attendants will join and follow the characters, enhancing the characters' strength. In general, game players simply click on this game occasionally for the plot to proceed and enhance the character's capabilities. In China, we published it by ourselves and through third-party publishers; in overseas markets, we engaged two local third-party publishers to exclusively publish and operate the respective local versions, namely, one third-party publisher for English, Japanese and Korean versions, and the other for German, French, Spanish and Portuguese versions. Players fight against enemies with the help of different virtual items such as armor, swords, gems, and weapons. We distribute Demon Hunter (黎明召唤) through our official website in China. We also collaborate with advertising and marketing agencies to promote our games. We are committed to exploring overseas mobile game markets by launching this game in various overseas markets.

Demon Hunter (黎明召唤) generated gross billings of approximately RMB325.6 million, RMB179.3 million and RMB70.6 million, in 2022, 2023 and the nine months ended September 30, 2024, respectively, among which 86.9%, 78.1% and 74.2% were generated in the overseas market in 2022, 2023 and the nine months ended September 30, 2024, respectively, due to the active exploration of oversea markets. As of September 30, 2024, the game had approximately 11.2 million cumulative registered players, of which 6.2 million were from the PRC market and 5.0 million were from overseas markets.



## BUSINESS

### *Mysterious World: Awaking* (異界深淵:覺醒)



*Mysterious World: Awaking* (異界深淵:覺醒), officially launched in May 2021, is a self-developed ARPG game featuring a magic world full of different kinds of mechanical monsters. Game players role-play warriors fight against monsters to obtain treasures and accomplish missions with the help of different virtual weapons. Along the journey, the characters can incubate pets, which can join battles, and enhancing the characters' strength. In general, game players simply click on this game occasionally for the plot to proceed and enhance the character's capabilities. We published it by ourselves and through third-party publishers. We distribute *Mysterious World: Awaking* (異界深淵:覺醒) through our official website, and our WeChat official account, and through a number of other third-party distribution channels in China, such as WeChat mini program, OPPO game center, and vivo mini game. We also collaborate with advertising and marketing agencies to promote our games. During the Track Record Period, *Mysterious World: Awaking* (異界深淵:覺醒) had three regional versions supported in Simplified Chinese, Korean and English. We launched a local version in Korea in November 2023 and we launched the English version in October 2024.

*Mysterious World: Awaking* (異界深淵:覺醒) generated gross billings of approximately RMB271.1 million, RMB128.7 million and RMB25.1 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. The game had approximately 47.1 million cumulative registered players as of September 30, 2024.

## BUSINESS

### *Mysterious World: Spirit King* (異界深淵:大靈王)



*Mysterious World: Spirit King* (異界深淵:大靈王), officially launched in August 2023, is a self-developed ARPG game featuring a spirit realm existing between the human realm and the demon realm, where game players role-play spirit masters, a group of humans with special power, fighting against demons to prevent them from entering the human realm. Notwithstanding its combating nature, as an idle game, *Mysterious World: Spirit King* (異界深淵:大靈王) allows game players to enjoy a casual gaming experience without intense focus or continuous play. We published the game both by ourselves and through third-party publishers. We distribute *Mysterious World: Spirit King* (異界深淵:大靈王) through our official website and our WeChat official account, and through a number of third-party distribution channels in China, such as WeChat mini program, OPPO game center, and vivo mini game.

Even though *Mysterious World: Spirit King* (異界深淵:大靈王) is relatively new as compared to other landmark games in later stages, it has generated gross billings of approximately RMB92.1 million and RMB399.6 million in 2023 and for the nine months ended September 30, 2024, respectively. The game had average MAUs of approximately 729,079 and 6,620,350 in 2023 and for the nine months ended September 30, 2024, respectively. In addition, the AGBPPU of *Mysterious World: Spirit King* (異界深淵:大靈王) is around RMB367 in 2023 and RMB429 for the nine months ended September 30, 2024. As of September 30, 2024, the game had approximately 63.2 million cumulative registered players with around 13 months' official operation. Furthermore, the game was recommended as a star game by Mobile Hardcore Alliance (硬核聯盟) in April 2024.

## BUSINESS

### *Sword Path of the Mountain and Sea (山海劍途)*



Sword Path of the Mountain and Sea (山海劍途), officially launched in June 2023, is a self-developed ARPG card game, which combines elements of both action role-playing games and traditional card games. In Sword Path of the Mountain and Sea (山海劍途), players typically act as ancient gods and goddess or famous figures in traditional myths or history. However, instead of directly controlling the characters in real-time combat, the gameplay revolves around using cards to represent actions, abilities, attacks, or defenses. Each round of the game is set against the backdrop of a historical or mythological story, and the opposing side of the game consists of well-known figures from such history or mythology, possessing skills that match the characteristics of these figures, enhancing the game’s entertainment and game players’ desire to explore. We published the game both by ourselves and through third-party publishers. We distribute Sword Path of the Mountain and Sea (山海劍途) through our official website and our WeChat official account, and through a number of third-party distribution channels in China, such as WeChat mini program, and Huawei App store. Sword Path of the Mountain and Sea (山海劍途) generated gross billings of approximately RMB27.1 million and RMB146.6 million in 2023 and for the nine months ended September 30, 2024, respectively. The game had average MAUs of approximately 184,846 and 1,922,625 in 2023 and for the nine months ended September 30, 2024, respectively. As of September 30, 2024, the game had approximately 18.1 million cumulative registered players after around 15 months’ official operation.

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### Key Operating Metrics

We measure our games’ performance by the following key operating metrics, namely, (i) gross billings, (ii) average MAUs, (iii) average MPUs, (iv) AGBPPU, and (v) cumulative registered players. The number of registered players used for the calculation of average MAUs, average MPUs, AGBPPU, and cumulative registered players represents the number of accounts, which is calculated with reference to the number of accounts registered with our games as of a specified date. It may not represent the exact number of our registered players in any and all of our games as a player may have registered multiple player accounts with any of our games. The following tables set forth these operating metrics for our mobile games that were in operation as well as our landmark games for the years/periods indicated or as of the dates indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
Gross billings (RMB in thousands)	6,393,498	5,706,830	4,565,513	2,234,276
Average MAUs (in thousands)	67,554	47,722	54,907	20,443
Average MPUs (in thousands)	1,070	908	965	546
AGBPPU (RMB)	490	524	526	456

	As of December 31,		As of
	2022	2023	September 30,
			2024
Cumulative registered player (in thousands)	1,000,691	1,494,535	1,653,811

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024

*(RMB in thousands)*

#### Gross Billings (RMB)

##### Nine Realms: Sword & Immortals

(九州仙劍傳)	3,070,928	2,381,981	2,006,653	538,018
Sword Fantasy (天劍奇緣)	2,413,924	2,671,500	2,089,799	954,324
Demon Hunter (黎明召喚)	325,594	179,323	132,869	70,619
Mysterious World: Awakening (異界深淵:覺醒)	271,056	128,676	116,236	25,074
Mysterious World: Spirit King (異界深淵:大靈王)	–	92,112	27,976	399,590
Sword Path of the Mountain and Sea (山海劍途)	–	27,068	6,790	146,573

## BUSINESS

Starting in 2023, our game portfolio underwent a normal transition, as some previous hit games entered into the later stages of their lifecycles, while new games began to emerge and gain prominence. We experienced decrease in gross billings of Nine Realms: Sword & Immortals (九州仙劍傳), Demon Hunter (黎明召喚), and Mysterious World: Awaking (異界深淵:覺醒) from 2022 to 2023 and from the nine months ended September 30, 2023 to nine months ended September 30, 2024 as such games entered into relatively later stages of their lifecycles. We experienced fluctuation in gross billings of Sword Fantasy (天劍奇緣) as we decided to reduce marketing and publishing resources to Sword Fantasy (天劍奇緣), and to reallocate our efforts on new games. Gross billings of Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途) experienced significant growth from the nine months ended September 30, 2023 to the nine months ended September 30, 2024 primarily due to the increased exposure of and promotion activities for the games since the launch of the games.

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>(in thousands)</i>			
<b>Average MAUs</b>				
Nine Realms: Sword & Immortals				
(九州仙劍傳)	37,137	26,973	31,316	6,712
Sword Fantasy (天劍奇緣)	24,672	17,274	20,134	3,743
Demon Hunter (黎明召喚)	307	259	228	82
Mysterious World: Awaking				
(異界深淵:覺醒)	2,157	802	1,013	237
Mysterious World: Spirit King				
(異界深淵:大靈王)	–	729	341	6,620
Sword Path of the Mountain and Sea				
(山海劍途)	–	185	52	1,923

We experienced decrease in average MAUs of Nine Realms: Sword & Immortals (九州仙劍傳), Demon Hunter (黎明召喚), and Mysterious World: Awaking (異界深淵:覺醒) from 2022 to 2023 and from the nine months ended September 30, 2023 to nine months ended September 30, 2024 as such games entered into relatively later stages of their lifecycles. We experienced decrease in average MAUs of Sword Fantasy (天劍奇緣) as we decided to reduce marketing and publishing resources to Sword Fantasy (天劍奇緣), and to reallocate our efforts on new games. The average MAUs of Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途) experienced significant growth from the nine months ended September 30, 2023 to the nine months ended September 30, 2024 primarily due to the increased exposure of and promotion activities for the games since the launch of the games.

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	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>(in thousands)</i>			
<b>Average MPUs</b>				
Nine Realms: Sword & Immortals				
(九州仙劍傳)	368	255	282	93
Sword Fantasy (天劍奇緣)	532	522	560	264
Demon Hunter (黎明召喚)	43	26	24	12
Mysterious World: Awakening				
(異界深淵:覺醒)	62	30	37	7
Mysterious World: Spirit King				
(異界深淵:大靈王)	–	23	12	104
Sword Path of the Mountain and Sea				
(山海劍途)	–	7	3	36

We experienced decrease in average MPUs of Nine Realms: Sword & Immortals (九州仙劍傳), Demon Hunter (黎明召喚), and Mysterious World: Awakening (異界深淵:覺醒) from 2022 to 2023 and from the nine months ended September 30, 2023 to nine months ended September 30, 2024 as such games entered into relatively later stages of their lifecycles. We experienced some decrease in average MPUs of Sword Fantasy (天劍奇緣) from the nine months ended September 30, 2023 to nine months ended September 30, 2024 as we decided to reduce marketing and publishing resources to Sword Fantasy (天劍奇緣), and to reallocate our efforts on new games. The average MPUs of Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途) experienced significant growth from the nine months ended September 30, 2023 to the nine months ended September 30, 2024 primarily due to our efficient monetization strategies to maximize in-game spending. We proactively implemented various and regular in-game promotions and activities, such as offering sale packages with discounts on virtual items or special virtual gifts, particularly during National Day holidays, and Double 11 and Double 12 Shopping Seasons, in order to encourage paying users and to convert more non-paying users into paying users.

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	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
<b>AGBPPU (RMB)</b>				
Nine Realms: Sword & Immortals				
(九州仙劍傳)	680	771	787	638
Sword Fantasy (天劍奇緣)	379	432	417	404
Demon Hunter (黎明召喚)	689	577	602	685
Mysterious World: Awakening				
(異界深淵:覺醒)	370	377	369	410
Mysterious World: Spirit King				
(異界深淵:大靈王)	–	367	362	429
Sword Path of the Mountain and Sea				
(山海劍途)	–	236	207	479

The steady growing trend of AGBPPU with minor fluctuations of our landmark games during the Track Record Period was mainly attributable to our continuous optimization of the games by providing appealing and valuable virtual items and upgrades that effectively stimulate paying willingness of game players, resulting in increase in higher spending per users. In particular, the AGBPPU of Demon Hunter (黎明召喚) increased notably from RMB602 for the nine months ended September 30, 2023 to RMB685 for the nine months ended September 30, 2024 as it gained popularity in the U.S., Japan and Korea, in which countries players generally contribute more on in-game purchases than players in other countries.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(in thousands)</i>		

### Cumulative Registered Players

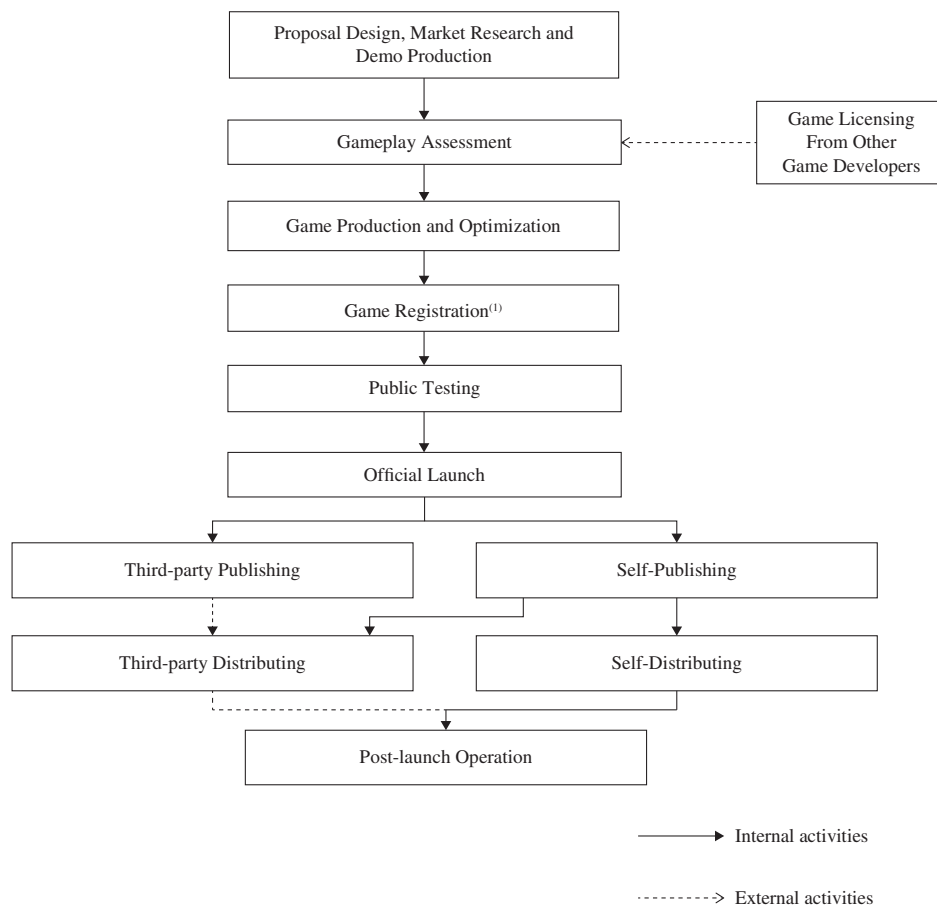
Nine Realms: Sword & Immortals			
(九州仙劍傳)	548,524	840,407	893,795
Sword Fantasy (天劍奇緣)	290,731	456,776	480,485
Demon Hunter (黎明召喚)	8,425	10,766	11,239
Mysterious World: Awakening			
(異界深淵:覺醒)	37,633	45,462	47,103
Mysterious World: Spirit King			
(異界深淵:大靈王)	–	7,958	63,193
Sword Path of the Mountain and Sea			
(山海劍途)	–	2,088	18,133

## BUSINESS

As we increased our advertising and marketing efforts by precisely delivering advertisements of our games through various social media and other online platforms based on our big data analysis and research on targeted audiences during the Track Record Period, the number of cumulative registered players of Nine Realms: Sword & Immortals (九州仙劍傳), Sword Fantasy (天劍奇緣), Demon Hunter (黎明召喚), Mysterious World: Awakening (異界深淵:覺醒) increased constantly. Since the official launch in 2023, Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途) gained instant popularity and their cumulative registered players experienced drastic increase.

### OUR OPERATING PROCESSES

We publish and operate our self-developed mobile games as well as certain games licensed in from third-party developers. We also engage third parties to publish and operate some of our games, leveraging their established distribution network relationships and game marketing and promotion capabilities. The following chart illustrates our business processes, from game sourcing to post-launch operation.



Note:

(1) For licensed games, game registration can be either conducted by us or by the third-party developer.



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## BUSINESS

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### **In-House Game Developing**

As of September 30, 2024, our research and development (“**R&D**”) department consisted of 494 employees, approximately 55.9% of whom had a bachelor’s degree or higher. Our R&D department are divided into 17 groups. A project group is a foundational unit for game development, responsible for the pre-launch development and testing, and post-launch updates of a specific game. The studio, on the other hand, is the supervisory organization above the project groups, in charge of managing the R&D and operations of multiple project groups simultaneously. The project groups operate independently of each other, and these independent project groups report to the higher-level studios. Our R&D personnel include producers, designers, programmers, artists, sound engineers and testing engineers. We have invested and will continue to invest substantial resources in our R&D activities, including game development and technology development. Our R&D team works closely with our publishing and operation team at each stage of game development to optimize our games efficiently and productively. In addition, our R&D team will upgrade our artificial intelligent data analysis systems as appropriate.

We expect the typical period from initiation to launch for a self-developed game will be eight to 20 months. For details, see “Risk Factors — Risks Relating to Government Regulations — Laws and regulations governing the internet industry and related businesses in China are evolving and actual or alleged failure to comply with such laws and regulations may adversely affect our business and operations” in this document.

### ***Proposal Design, Market Research and Demo Production***

After an idea is generated, we conduct research and analysis regarding the new project’s background, target market segment and game positioning (including storyline, genre, core gameplay, graphic design, artistic style, core technology, competitive strengths, development timeline and budget). Our R&D team then formulates a detailed game development proposal covering these factors, as well as a budget and an estimation on manpower, costs as well as hardware and software requirement. Our R&D team would also devise game structure, the rules of the game and artwork style. To streamline and optimize our game development process, our R&D team utilizes Wukong System during the development process. For details, see “— Technology and Infrastructure — Generative AI R&D System — Wukong System (孫大聖系統)” in this section. The proposal prepared by the R&D team is submitted to our R&D and publishing team for review, who takes into account various factors, including an analysis of the target markets and potential player base, comparable games, the competitive environment as well as the latest trends in entertainment and popular culture, in order to develop games with themes and storylines that will attract a wide base of players.

Once the new game development project is approved by both our R&D and publishing and operation teams, our R&D team will proceed to prepare a game demo within the budget by incorporating the core gameplay and other critical features of the game.

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### *Gameplay Assessment*

After a game demo is produced, our management and our R&D team evaluate the competitiveness and monetization potential of the game. They assess the game demo primarily based on standards such as the game demo’s potential to provide players with better or different gameplay experience compared to existing games in the market. Our management, internal specialized testers, and experienced members from our R&D team, along with our publishing and operation team assess the game demo’s quality. Through testing the game demo, they assess whether the core gameplay, basic functions and design achieve the planned effect, and provide feedback on game functionality and gameplay experience to our R&D team for them to make improvements to the game and resolve relevant technical issues.

### *Game Production and Optimization*

After a game demo passes the gameplay assessment and is approved by our management, the designers, programmers and other professionals of our R&D team work together to produce and optimize the game. They first establish the fundamental game structure with game engines, and then refine the game development details, including plots, levels, gameplays, artistic effect, functions, economic system and combat power numerical system. They customize the game by introducing gameplays, new features and characters and building levels required by the game design and fix bugs that may arise. We have in limited circumstances outsourced part of the design work of our games, such as game motion design and art design, to third-party studios to optimize resource allocation. We review their work-in-progress periodically to ensure they meet our requirements and avoid any potential delays.

We conduct multiple rounds of internal testing at each stage of the game production process. An alpha version is a stage where all functions of the game is substantially completed. The alpha version of the game is put through several rounds of internal quick tests by our publishing and operation team to discover all major technological issues and software bugs that may exist. Feedback will be provided to the R&D team, which may include technical issues, as well as other marketing considerations on game design, such as the level of difficulty of each stage, colors or the lighting of backdrop, the design of characters and special abilities. The alpha version will be modified as the R&D team fixes game errors and bugs detected during the alpha version testing, and the internal testing will be repeated until we are satisfied with the overall performance of the alpha version. The alpha testing process takes approximately two weeks, and may extend to up to three or more weeks for some games.

### *Game Registration*

Before public testing, we apply for game registration with the relevant government authorities. NPPA has been responsible for the approval of online game registration and issuance of game publication numbers since March 2018. It typically takes approximately six to nine months for us to obtain the game publication number which is essential for the official launch and publication of a game in the PRC. To facilitate the successful launch of our mobile games, we generally start applying for game registration for the relevant game when the game is substantially completed. As of the Latest Practicable Date, we had completed game registration with the relevant government authorities for each of our existing games, as confirmed by our PRC Legal Advisers.

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### *Public Testing*

After the game has successfully completed registration with the relevant government authorities as well as obtained a game publication number, we conduct multiple rounds of public testing for the game with the involvement of public users. We will usually engage users through third-party distribution channels to form a testing user base that is similar to the real user base of the game. Public testing will usually last for a period of a month to six months. During public testing, we capture, monitor and analyze user activity on a daily basis through our servers and through distribution channel providers in order to optimize user engagement and monetization potential.

We closely monitor key game and user data, including primarily the user retention rate and active users’ in-game activity during the entire testing process to assess game quality and monetization potential. With the support of our data collection and analysis tools, such as Shenji System, we are able to analyze the data in real-time basis. For details of Shenji System, see “— Technology and Infrastructure — Intelligent Operation Analytics System — Shenji System (神機系統)” in this section. We also actively gather users’ feedback through market surveys, and communication with third-party distribution channels. Through such analysis, we are able to pre-assess the market reaction and financial performance of our games and further optimize the games as necessary before officially launching the game.

### *Official Launch*

Following the public testing process, our Board would eventually decide to officially publish the game based on the performance of the game during public testing, making it available to general public through more distribution channels, and start to devote marketing and promoting efforts to it through various social medias. Our game publishing and operation team has been closely engaged throughout the game production and testing process and therefore is well-prepared to run the game. Our R&D team cooperates with the publishing and operation team to conduct ongoing optimization and refinement of the game throughout its full lifecycle, based on big data analysis on system logs and user behaviors, user feedback, and spending patterns, among others.

### **Game Licensing From Other Game Developers**

In addition to our self-developed games, we also license in games from third-party developers to enrich our game portfolio. Before we license in a game, we consider a variety of factors including how the game supplements our portfolio, its market potential, the potential for version updates and the in-house development capability of its developer. After we obtain the game demo from a third-party developer, we conduct testing and optimization before launching the game. We typically assess the benefits and risks relating to target games before obtaining the approval from our management. In general, our game publishing and operation team participates in the R&D of the licensed games from a relatively early stage.

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Occasionally, we commission third-party game developers to develop customized licensed games based on our ideas and requirements. Different from general licensed games, for customized licensed games, our R&D personnel is involved from the beginning of the game development period, rather than from the game assessment stage. We commissioned a third-party game developer to develop one of our landmark games, Nine Realms: Sword & Immortals (九州仙劍傳). We deployed a dedicated team to participate throughout the game development to evaluation process to enhance Nine Realms: Sword & Immortals (九州仙劍傳)’s quality and optimize players’ experience. At the proposal design, market research and demo production stage, we provided our ideas to the third-party game developer, and reviewed and commented on the game proposal prepared by the third-party game developer. During the game production and testing stage, our team provided feedback on the design, game functionality and gameplay experience to the game developer from time to time to help optimize the game. In addition, our team participated in multiple rounds of public testing, to identify and help fix bugs, errors and glitches in game operations.

We have entered into game licensing agreements with the relevant game developers. The major terms of these licensing agreements are set forth below:

- *Exclusivity.* For customized licensed games, we typically have the exclusive right to publish, operate, and authorize third-party publishers to jointly operate the underlying licensed games in specified regions. For other licensed games, exclusivity is negotiated on case by case basis.
- *Term of agreement.* The term of the licensing agreement varies, but is generally not less than one year, and subject to renewal upon mutual consent.
- *Fee arrangement.* We generally pay a one-off licensing fee, and a monthly share amounting to a prescribed percentage of the gross billings to the third-party game developers.
- *Obligations of third-party game developers.* Third-party game developers shall provide the servers and maintain the normal functions of the servers, and shall notify us within the agreed timeframe after the emergent maintenance of the servers. They are responsible for installing the game to the servers and updating the relevant game according to our requirements and the agreed standards. They are required to provide us with staff training, and updated materials and tools.
- *Our rights and obligations.* We are legally authorized by the game developers to publish and operate the licensed games. We are generally responsible for the marketing, promotion and operation of the game, which primarily include establishing distribution, marketing and payment channels. We may participate in the optimization of the game, have the discretion to set the prices for in-game virtual items, and/or other rights and obligations as agreed by the game developers.

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- *IP rights and ownership.* We require the third-party game developers to maintain all requisite IP rights in connection with our licensing arrangements and avoid potential infringement of third-party IP rights. However, in certain cases, when we commission third-party game developers to develop customized licensed games, such as Nine Realms: Sword & Immortals (九州仙劍傳), we obtained and maintained certain IP rights, such as software copyright and game publication number, with the assistance with the third-party game developer.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party.

In 2022, 2023, and the nine months ended September 30, 2024, we paid commissions charged by game developers (as recognized in cost of sales) of RMB194.9 million, RMB160.3 million, and RMB39.0 million, respectively.

### **Game Publishing and Operation**

Our game publishing avenues can be classified into two types, namely, self-publishing and partnering with third-party publishers. In term of self-publishing, we publish our games directly through various distribution channels, and we are responsible for the operation and marketing of our games; whereas, for third-party publishing, our third-party publishers are responsible for publishing, operating and marketing of our games in the prescribed territories.

We benefit from the flexibility of choosing either self-publishing or third-party publishing or both by dynamically evaluating: (i) the genre of the game to be published; (ii) the potential third-party publishing partner’s scale of operation and track records in regional markets, financial resources, market reputation and influence, creditworthiness, technological and management capabilities; (iii) the projected gross billings and market share of the game in the regional market; and (iv) cost-efficiency by weighing costs and expenses to be incurred and revenue forecasts of the game if taking different publishing models. As our game portfolio expands in scale and scope, we have continuously advanced our publishing and operation capabilities, and we aim to further increase our self-publishing practice in the future.

### ***Self-publishing***

We have published and operated a substantial number of our games by ourselves in China, particularly beginning from 2019. In addition to our self-developed games, we also publish licensed games. Since June 2023, we have gradually established our overseas publishing team with the goal of publishing and operating the overseas versions of our games going forward, aiming to reduce our reliance on third-party publishers overseas gradually. This transition will also contribute to an increase in the gross profit margin of our revenue in overseas regions.

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As of September 30, 2024, we had a dedicated game publishing and operation team of 313 employees. This team is involved in the publishing and operation of our games, as described below:

- *Design and development:* Our publishing and operation team shares market insight, player feedback and optimization suggestions with our R&D team. The team is involved in the game production process and therefore is able to formulate the publishing strategies relatively early at the game development stage. After the game is substantially developed, the publishing and operation team applies for game registration with the relevant authorities.
- *Official launch:* We tailor our publishing approach for each game based on its characteristics, players’ interest and distribution channels’ features. Before we officially launch a game, the team conducts extensive testing with external players to identify the game’s target audience and customize our marketing campaigns. After the game is ready for official launch, our publishing and operation team would distribute the game through a variety of channels to launch the game, attract players and facilitate in-game purchases.
- *Operation:* For our self-developed games, following the official launch of a game, our publishing and operation team continuously reviews and updates the game to detect and fix technical issues, monitor and analyze the game’s performance and users’ spending patterns using our Shenji System (神機系統) and Zhuge System (諸葛亮系統). This information helps us efficiently develop optimized versions of the game with new settings, gameplay, content and features on an ongoing basis. Our publishing and operation team also further optimize the game’s operation strategies to enhance player engagement, loyalty and monetization. We update our games to provide our players with fresh and engaging experiences to retain our existing players and extend our games’ lifecycles. For licensed games, we are responsible for monitoring the operation of the game and providing feedbacks to the game developer upon discovery of any material bug, and making the monetization strategies depending on the performance of the game.

### ***Third-party Publishing***

In terms of publishing our games in China, in addition to publishing with in-house capabilities, we may also publish our games in cooperation with third-party publishers if we consider that these publishers’ resources and user base would enable them to publish the games more cost effectively than us or that their strengths will complement our strategy. Such third-party publishers will co-publish such games in China utilizing their resources and advantages in their channels. Third-party publishing represents a complementary to our self-publishing model effectively as we can benefit from the third-party publishers’ knowledge and experience in certain game genres, and their established network and relationship with different distribution channels. In terms of publishing our games abroad, before 2023, we rarely publish and operate games by ourselves, instead, we engage local third-party publishers

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to publish and operate the respective local versions. However, as we formed our overseas publishing team in June 2023, we started to publish by ourselves for our new games or foreign versions of our existing games. We have built extensive connections with third-party publishing partners in China and the overseas markets, including Korea, Germany and Spain.

Both in China and abroad, we license our games to these third-party publishers and typically receive revenue share payments, and, in certain cases, fixed licensing fees from them.

Set forth below is a summary of salient terms of our agreements with third-party publishers in China:

- *Term of agreement.* The term of agreements is usually one year and can be extended upon mutual consent.
- *Fee arrangement and settlement.* We generally receive gross billings collected from game players, deducting all service fees charged by third-party publishers. Generally, we receive amount equivalent to 10% to 20% of the game’s gross billings during the Track Record Period.
- *Our Obligations:* We are responsible for delivering quality games to third-party publishers, updating the game version in a timely manner, and providing relevant technical support. We are also responsible for daily maintenance of the game servers, and technical issues.
- *Third-party Publishers’ Obligations:* Third-party publishers are responsible for publishing and operating our games through their distribution channels and other distribution channels that they choose to engage. They are also responsible for engaging appropriate payment channels, and providing hardware and software in support of successful game publishing and operation. In addition, they are not allowed to (i) amend, change or replace any programming in the games, and (ii) develop any games that have substantial similarity with our games.
- *IP rights.* We retain titles to all intellectual property of our self-developed games. In general, intellectual property of our licensed games belong to the game developers. For more information, see “— Our Operating Processes — Game Licensing From Other Game Developers” in this section.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party. Generally, the agreements can be terminated if the games have material defects that are not promptly addressed.

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Set forth below is a summary of salient terms of our licensing agreements with third-party publishers abroad:

- *Term of agreement.* The term of agreements is usually three years and can be extended upon mutual consent.
- *Fee arrangement and settlement.* We generally receive (i) one-off licensing fees, and advance payment of the subsequent share of gross billings and (ii) subsequent monthly share of gross billings (to which the advance payment is credited). The specific installment payment schedule varies from agreement to agreement.
- *Our Obligations:* We are responsible for licensing quality games to third-party publishers, updating the game version as agreed with the third-party publishers, and providing relevant technical support.
- *Third-party Publishers’ Obligations:* Third-party publishers are responsible for publishing, operating, and distributing our games through their distribution channels and other distribution channels that they choose to engage. They are also responsible for engaging appropriate payment channels, and providing hardware and software in support of successful game publishing and operation. Third-party publishers are responsible for obtaining necessary approval, filing, registration for the game, as required by local government (if applicable).
- *IP rights.* We retain titles to all intellectual property of our self-developed games. In general, intellectual property of our licensed games belong to the game developers. For more information, see “— Our Operating Processes — Game Licensing From Other Game Developers” in this section.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party. Generally, the agreements can be terminated if the games have material defects that are not promptly addressed.

### Distribution Channels

#### *Self-Operated Distribution Channels*

We have used our proprietary distribution channels to distribute all of our self-developed and licensed games that we publish by ourselves in China. Our games published by third parties are not distributed through our self-operated distribution channels. These channels include our official website and WeChat official account “9130 Game”. Through such channels, users can obtain information on our latest releases and download our games.

Our self-operated distribution channels are connected with other social network platforms. The sharing function in our games also allows our users to share our games in social networks, attracting other people to play our games, and therefore enhance our self-operated channels.



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### *Third-Party Distribution Channels*

Third-party distribution channels mainly include application stores and social media platforms. For iOS device users, iOS App store is the only official platform; for Android device users, there are multiple platforms to download mobile applications, such as WeChat mini program, OPPO game center, vivo mini game, Huawei App store, and Xiaomi App store. We use these channels as the application marketplaces to launch our mobile game applications.

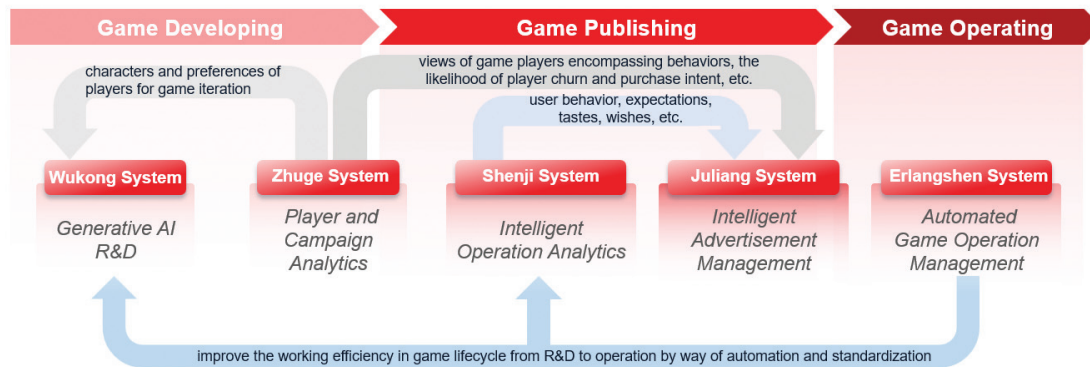
We have entered into non-exclusive distribution agreements with third-party distribution channels. Under these agreements, we are responsible for the operation of the relevant games, including the games’ updates and optimization, pricing of virtual items, promotion campaigns, technical support and other customer service. The distribution channels act as agents to deliver our games to the players on their channels. The distribution agreements typically have the following salient terms:

- *Non-exclusivity.* Our cooperation with the distribution channels is generally on a non-exclusive basis.
- *Term.* The term of the agreements is typically one year and can be extended upon mutual consent.
- *Principal Rights and Obligations of Parties Involved.* We are required to deliver the games as specified in the agreement and render operation and maintenance services and game player services. Third-party distribution channels are required to promote and advertise the games on their respective channels.
- *Payment.* For games published on third-party distribution channels, players can only make payment through the payment channels prescribed and built in by such distribution channels. The payment channels include primarily proprietary payment channels operated by these distribution channels, major third-party online payment channels, and online banking.
- *Revenue sharing.* The third-party distribution channels generally charge us a percentage of the game’s gross billings as commissions, which is determined based on the specific game and/or our bargaining power with the distribution channel, and other expenses such as payment channel service fees.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party. We may terminate the agreement when the operating performance of the game (such as revenue generated from the sales of in-game virtual items) fails to meet certain threshold.

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### TECHNOLOGY AND INFRASTRUCTURE

We have been leveraging our advantage in our cutting-edge intelligent big data technology in the whole lifecycle of R&D, operation, and promotion in our businesses. The functions of our five main AI-empowered supporting systems in our game lifecycle are illustrated in the diagram below:



#### Generative AI R&D System — Wukong System (孫大聖系統)

Our Wukong System is a self-developed game engine designed to optimize the game development process. Conventional game development heavily relies on efforts of R&D personnel, resulting in a time-consuming and error-prone development process. Wukong System categorizes useful data, including storyline, core gameplay, graphic design, and artistic style into reusable and inter-linkable modules. During game development, the modular design of such system allows for the repetitive use of various modules in different combinations, including maps, in-game chat system, missions. This approach helps us save time, streamline the game development process, and to avoid human error. Moreover, Wukong System monitors important metrics to predict and resolve potential issues, ensuring a smooth and efficient development process.

Since 2023, we have integrated generative AI in Wukong System. By feeding extensive data on game development, operations, and promotions into Wukong System, it learns, identifies patterns, extracts insights, makes predictions, and generates new data based on the training data. The accuracy and quality of the analysis models in the Wukong System improve as these machine learning algorithms are given more data.

The utilization of generative AI helps boost efficiency and lower costs for R&D, game optimization and promotion. To be specific, by entering proper “prompts” into Wukong System, our R&D personnel is able to obtain draft graphics (game characters, game scenes, etc.), and texts generated automatically by the system for them to work on or adjust fast and easily, without sacrificing the quality of the work products. For instance, without using Wukong System, it generally takes around five days for one R&D personnel to prepare a rough

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original artwork or concept art for a game, while takes around ten days per person to prepare a high-quality original artwork or concept art. In contrast, by using the Wukong System to generate original art and then refining it manually, rough artwork can be produced in one day per person, and high-quality artwork can be produced in two days per person, which is notably shorter than sole manual work. It saves time for our R&D personnel so that they can work on more games and also saves operating costs as we previously outsourced some of the works to third party agencies or studios.

### **Intelligent Advertisement Management System — Juliang System (聚量系統)**

We rely on Juliang System, an intelligent advertisement placement system set upon big-data analysis capabilities, to achieve cost-effective user acquisition and retainment results. We first launched this system in 2017, and have invested in continuous upgrade and optimization since then. As we continuously upgrade and optimize Juliang System, it can automatically generate up to 600,000 advertisement per year in 2023, as compared to 100,000 advertisement per year in 2021. Moreover, our Juliang System’s data algorithm monitors and studies our advertising performance on a continuous basis, providing insights for optimizing efficiency and effectiveness across channels and demographic player group.

We use Juliang System to conduct small-scale advertising tests, create and put up materials, monitor and analyze advertising performance, accurately identify effective advertising materials, suitable target platforms and audiences. We also use Juliang System to automatically carry out large-scale advertisement campaign to quickly and effectively promote our games.

### **Intelligent Operation Analytics System — Shenji System (神機系統)**

Our Shenji System is a powerful operating data analysis platform utilized by our publishing and operating team. It is instrumental in calculating and making quantitative analyses based on game operating information. By analyzing and comparing operating data of our game across various parameters, such as average DAUs, average MAUs, and AGBPPU, return on investment, lifetime value, and player retention rates horizontally within its lifecycle, our Shenji System provides valuable insights into the game performance fluctuations and make predictions of game performance. By analyzing and comparing operating data of our games, with other games, we are able to make informed decisions on how to allocate promotion resources to games with different growth potentials. As we continuously optimize Shenji System, it can now store data at the scale of 100 terabytes, as compared with ten terabytes in 2022, enabling more complex analysis of a much larger volume of operating data.

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### **Player and Campaign Analytics System — Zhuge System (諸葛亮系統)**

Our Zhuge System is a proprietary data analytics system that employs AI-powered algorithms to analyze player performance for our R&D personnel. This system is capable of processing vast amounts of performance information of a game such as mission completion status, participation rate, win rate to increase new player retention rate. The system also summarizes new players’ characteristics and preferences, and efficiently comparing this information with that of such game’s existing players. It is able to process game behavior logs, with a daily data processing volume exceeding nine billion. These observations, in collaborating with other supporting systems, can further visualize interlinks between these metrics and relevant activities we undertake, such as R&D activities, changes in game designs and promotion efforts. As a result, we are able to make well-informed decisions to establish and refine business and game optimization plan, resulting in improved game play experience and operation performance.

Furthermore, Zhuge System monitors and analyzes operating data before, during, and after promotional campaigns, identifying key performance drivers, virtual items, and other areas for improvement. Leveraging Zhuge System, our R&D personnel were able to enhance the game players’ experience, stimulate in-game purchases, and ultimately improve player retention by making desirable upgrades and optimizations to the game.

### **Automated Game Operation Management System — Erlangshen System (二郎神系統)**

We have entered into a cooperation agreement with Tencent Cloud. Under this arrangement, we are able to utilize diversified resources of Tencent Cloud, including cloud computing, data storage and bandwidth services. Leveraging such Tencent Cloud services, we have substantial flexibility in game operating capacities by scaling up or down the number of our servers effortlessly through cloud. Erlangshen System monitors all servers simultaneously to ensure their stability and security. Particularly, it is able to open new servers in response to increased game traffic demand, so as to make sure that the server network responds promptly with low latency, therefore avoiding high latency that results in a frustrating and unrealistic gaming experience. As compared to manual monitoring of the servers, Erlangshen System responses faster in case of increased game traffic demand and avoids manual mistakes.

## **MONETIZATION AND PRICING**

We offer our games in a free-to-play model, allowing game players to access and play games without up-front cost. As a result, we primarily generate revenue from players’ purchases and consumption of in-game virtual items, which include consumables, avatars, skills, privileges, or other in-game features or functions. Through virtual items, users are able to extend their play, enhance or personalize their game environment, character or settings, enhance their in-game battle capabilities, or accelerate their progress in the games. Game players may exchange real currency into virtual currency and then use the virtual currency to purchase the virtual items. During the Track Record Period, the players generally purchased virtual items by bundles. The price of virtual item bundle generally ranged from RMB1 to RMB328. Our monetization ability depends on whether we are able to attract new players, convert existing players into paying players and encourage in-game purchases by paying players. Players typically prepay for a specified period of entitlement to our games’ virtual items, which helps to enhance our paying players’ in-game purchases.

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We determine the types, and pricing of our in-game virtual items to be offered based on game players’ spending patterns and preferences, estimated level of disposable income of targeted players, consumption habits in local markets, the anticipated demand for the relevant virtual items, and the prices of virtual items offered in comparable games. The prices and exchange rates of our virtual items are not subject to seasonality and are generally fixed across regions. We closely track and monitor the statistics of purchased virtual items in a game through our AI-empowered supporting systems to understand the consumption patterns of our game players and utilize such analysis as guidance to offer additional amounts and types of in-game virtual items. In addition, we offer players with virtual item packs at a discount compared to standalone items to encourage their in-game purchases, some of which are time-limited.

We also monetize our games by charging licensing fees, and a share of gross billings from some of our third-party publishers, when we act as an agent to such publishers. We recognize the revenue on a net basis which is equal to the licensing fees (if applicable), and a share of gross billings of the games. Under such model, we determine the licensing fees and subsequent share of gross billings generally based on business arrangement between us and the third-party publisher, such as features and estimated commercial value of the mobile game, and exclusivity.

With respect to arrangements of licensed games, we sometimes consider ourselves as an agent, and recognize revenue on a net basis which equals to the gross amounts collected from the paying users less the amounts charged to the third-party game developer, where a third party game developer (i) is responsible for providing game products, and having the right to authorize us to provide services; (ii) is responsible for the development, upgrade, update and maintenance of the game; (iii) independently sets the prices of virtual items in the game, and is responsible for the generation, transfer, operation and destruction of virtual items; and (iv) is responsible for hosting and maintaining the game server. For details, see “Financial Information — Significant Accounting Policies and Significant Accounting Judgments and Estimates — Significant Accounting Policies — Revenue Recognition” in this document. Under such circumstances and pursuant to our service agreements with the third-party game developers, we charge the third-party game developer a service fee based on certain percentage of the gross amounts that the paying players pay for the purchase of the in-game virtual items.

## PAYMENT CHANNELS

Game players can purchase our virtual currencies and other virtual items through mainstream mobile payment solutions. In China markets, our players make in-game purchase through third-party online payment channels, such as Alipay, WeChat Pay and Union Pay. In the overseas markets, our players can make payments through the payment channels such as Apple Pay and other online payment channels. In self-publishing model, we are generally subject to the standard terms and conditions prescribed by these payment channels. Under the agreements with our third-party payment vendors, they are generally responsible for the operation and management of their payment systems to ensure the payment service is delivered

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properly and in a timely manner. In third-party publishing model, third-party publishers are responsible for engaging proper payment channels. Our agreements with the third-party payment vendors typically contain the following salient terms:

- *Term of agreement.* The term varies across agreements with different payment channels, which usually ranges from one to three years, and is subject to automatic renewal if no prescribed event takes place under the agreements.
- *Principal rights and obligations of parties involved.* Our third-party payment vendors are responsible for providing the connectivity and technical infrastructure to facilitate the payment transactions, and remitting the transaction amount made by the players to our Group after deducting the service fee they are entitled to under the agreement.
- *Service fees.* Our third-party payment vendors are entitled to service fees, calculated at a pre-determined percentage of the gross billings in the game.
- *Payments.* The third-party payment vendors would remit the sales proceeds in the game received from the players to our Group after deducting the service fee they are entitled to under the agreement daily.

## MARKETING AND PROMOTION

We market our games through advertising and promotion of our games in various channels, as well as traffic acquisition, based on factors, such as player retention and spending results at the testing stage, features and targeted players, and our assessment of market receptiveness of our games. In addition, leveraging our big-data analytics and intelligence analytics capabilities, we design and implement precision marketing and promotional programs catering to the demographics and characteristics of our target players. Our advertisement efficiency is assessed through business intelligent big data technology, such as Juliang System, to ensure commercial effectiveness and precise delivery of our advertisements on the different social media and online platforms.

We advertise our games on multiple social media platforms and other online platforms in China, such as Tencent Advertisement (騰訊廣告), Toutiao (今日頭條), Ocean Engine (巨量引擎), Douyin (抖音) and KuaiShou (快手). For overseas distribution, we generally consider promoting our overseas games through international social media platforms, such as TikTok, YouTube, Twitter, and Facebook. In addition to international social media platforms, we also promote our games on regional social media platforms or forums. For example, in Korea, Naver Game is an important gaming forum. For instance, we utilize Naver Game to release game news, strategies, and event announcements for Demon Hunter (黎明召喚), attracting Korean players to learn about our game and participate in discussions related to the game.

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We generally provide the advertisement copywriting, graphics and videos to such social media platforms and other online platforms. Subject to their review of and edits on our advertisement content, the social media and platforms would post our advertisements at our targeted geographies and demographics. The advertisements typically contain links to our games for the players to download and play. In addition, we also engage professional advertising and marketing agencies which will assist us to engage and are responsible for the overall administration matters with the social media platforms and other online platforms. The advertising service fees are determined by a number of factors, such as the number of posts of advertisements or the number of users actions, cost-per-thousand-impression, cost-per-click, cost-per-time, cost-per-registered user or cost-per-paying user basis. We refrain from performing targeted advertising or other traffic acquisition campaigns towards minors. We also conduct reviews on the historical performance of our marketing and promotion activities, which allow us to make necessary adjustments on our marketing and promotion budgets.

Furthermore, we frequently carry our promotional events at different festive seasons or occasions to stimulate our users' in-game spending, such as during Lunar New Year, National Day holidays, Double 11 Shopping Season, and Christmas. Also, we offer monthly and weekly sale packages with discounts on virtual items and daily login incentives in order to retain our users and increase user stickiness.

In 2022, 2023, and the nine months ended September 30, 2024, we incurred selling and distribution expenses of RMB1,215.1 million, RMB963.1 million and RMB612.4 million, respectively, accounting for 21.4%, 18.1% and 29.2% of our total revenues for these respective periods.

### DATA PRIVACY AND DATA SECURITY

#### Data Privacy

Upon prior authorization, we have access to certain data arising from individual players using mobile games we publish and operate. We collect data and other information from users of our games with their prior consent or based on PRC laws and regulations, such as users' game data (e.g. primarily log-in information, in-game activity levels, in-game operation information, payment records) and other personal data (e.g. mobile phone number and identification number, and age). For key games we publish and operate, (i) we have formulated privacy policy to inform the users of the purpose and scope of the information collected from them and measures we have adopted with respect to data privacy protection; (ii) moreover, we provide channels for users to access, update and delete their personal information, close their accounts and withdraw their consents; and (iii) we have included certain information into our privacy policy, such as our registered address, our data storage location for the personal information, the dates of publication or update of our privacy policy.

For key games we publish and operate, we have formulated privacy policy pursuant to which we devote to collect user information on a lawful, appropriate and necessary basis, and we will use the data and information collected from our users for the purposes including but not limited to (i) provide general services relating to our games; (ii) enhance the user experience of our games; (iii) allow our users to participate in interactive session of our games; (iv) notify our users of the changes of our services; (v) provide customer service for our games; (vi) prevent fraud and provide a safe gaming environment; and (vii) comply with our obligations under relevant laws and regulations.

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We adhere to the principle of minimal necessity, limiting the type and amount of data collected to a reasonable extent while following the requirements of laws and regulations. We periodically review our privacy policy and pay close attention to any regulatory requirements in such respects so as to update our privacy policy in a timely manner, if necessary.

To the best of the knowledge of our Group and as confirmed by our Data Compliance Adviser, we had not experienced any material breach of the PRC laws and regulations on data privacy or subject to any material legal or regulatory proceedings in relation thereto during the Track Record Period and up to the Latest Practicable Date.

### **Data Security**

The security and protection of personal information in accordance with applicable PRC laws and regulations are one of our highest priorities. We have established comprehensive internal policies for protecting data security and an information security team. Our internal control system focuses on data security and personal information protection. This includes our policies regarding data security, management of data security, and data classification and categorization. Our internal control policies cover the full lifecycle of data processing, including data collection, data encryption and transmission, data storage security, data backup and recovery, data analytics, proper use of data, data destruction and deletion.

Set forth below are the details of the measures we have taken to protect data security.

- *Comprehensive data governance and related internal control measures.* We have put in place data access approval procedures, and an internal audit mechanism for data tracing to ensure the security of our database. We have established a comprehensive information system dedicated to data security and protection. Our data protection and privacy policies are focused on ensuring that: (i) our collection of personal data is conducted in accordance with applicable laws and regulations, and (ii) personal data we collect are reasonable for the purposes for which they are collected. We have put in place internal policies with respect to: (i) maintaining strict control over access to personal data and strict assessment and approval procedures to prohibit invalid or illegitimate uses, (ii) managing access to personal data based on strict necessity and maintaining records of data access, (iii) requiring new products and services that involve access to or processing of personal data to be subject to assessment, and (iv) storing personal data in accordance with applicable laws and regulations. As the laws and regulations relating to data security evolve, we will adjust our internal policy and procedures with respect to data security protection to ensure compliance.
- *Strict data access and processing policies and related internal control measures.* We have put in place internal policies with respect to: (i) recording and managing logs of operation of data; (ii) classifying our data into different levels pursuant to the relevant data security laws and regulations and formulating different access restrictions accordingly; (iii) maintaining a need-to-know level of data access policy



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for our employees, that is, our employees, with required authorization, can only access to a minimum scope of data as necessary for a specific purpose. To process data for a particular purpose, the related employees in charge of the project are required to submit an application for internal review and obtain an access approval with a definite expiration date, normally by the end of the relevant project. Abnormal access and operation will trigger an automatic warning or alert from the platform. We require all our employees to comply with our internal policies and protect the privacy and personal information, and we strictly prohibit unauthorized or improper collection or use of such data or personal information.

- *Strict enforcement of data security policies.* We established a Data Security Management Committee to develop our data security management and personal information protection mechanism, and to promote the enforcement of our internal policies and measures. In addition, our standard employment contract contains confidentiality terms which clearly stipulate the confidentiality obligations of our employees. We have the right to dismiss any employee if they breach their confidentiality obligations under applicable laws and regulations, and may also pursue further legal proceedings against them. We also regularly organize presentations and training sessions related to data security to strengthen employees' awareness of data security compliance.
- *Strict encryption measures against sensitive personal data.* Our internal policies require us to use encryption technologies to protect the transmission and storage of sensitive personal data and conduct periodic testing and assessment.
- *Anti-attack system.* We have engaged external cybersecurity service provider as further safeguard to our network infrastructure and to provide remedial responses once any problem is identified. We have leased reputable cloud service servers to host, manage and process our operating data. We have implemented protection and security measures against computer virus and the hacking of systems and continue to strengthen such measures, such as by establishing an advanced firewall policy. We have formulated and adhered to a discreet data back-up mechanism to prevent data loss. We have conducted regular tests and exercises to monitor the effectiveness of our emergency action plan when confronting external attacks. We have imposed clear segregation between our internal system and external system to minimize the risk of internal attacks.

As confirmed by our Directors, we did not experience any hostile system attacks during the Track Record Period and up to the Latest Practicable Date that resulted in any material interruption to our network infrastructure. The outsourced cybersecurity services we employ can promptly resolve the distributed denial-of-service attacks within a certain timeframe. Once a material attack is detected, the cybersecurity service provider engaged by us will alert us immediately and our technical team will promptly coordinate with it to diagnose and resolve the problems.

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To the best knowledge of our Directors, we did not experience any material interruption to our game operation nor material leakage of user information during the Track Record Period and up to the Latest Practicable Date. We had not been in material violation of the PRC laws and regulations on data privacy and security during the Track Record Period and up to the Latest Practicable Date.

### MINORS PROTECTION

#### Background

On August 30, 2018, the Ministry of Education (教育部) and seven other governmental departments of the PRC published the Notice of Issuance of the “Integrated Prevention and Control Program for Myopia among Children and Teenagers (綜合防控兒童青少年近視實施方案)” (the “**Notice**”). According to the Notice, the NPPA shall implement regulations on online games, control the number of new online games, explore the age-appropriate reminder system, and take measures to discourage the mobile game playing of minors (individuals under the age of 18). For details, see “Regulatory Overview — Regulations on Real-Name Registration and Anti-Addiction” in this document.

On October 17, 2020, the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “**NPCSC**”) revised and promulgated the Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》), which took effect on June 1, 2021 and last amended in April, 2024. The chapter of “Online Protections” stipulates a series of provisions including but not limited to, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, and (ii) online games service providers may not provide online games services to minors from 10:00 P.M. to 8:00 A.M. the next day. Pursuant to relevant laws and regulations regarding minors protection in the PRC, minors refer to persons under the age of 18.

Pursuant to the implementation of the Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addiction 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 “**Regulatory Notice**”) which was issued on August 30, 2021 and took effect on September 1, 2021, (i) all online game companies (including platforms providing online game services) can only provide one hour of online game services to minors between 20 : 00 to 21: 00 on Fridays, weekends and statutory holidays, and are not allowed to provide online game services in any form to minors in any other time, (ii) the requirements for real-name registration prior to login of online game user accounts shall be strictly implemented, (iii) publishing authorities at all levels shall strengthen their supervision and inspection of online game companies in terms of, among other situations, the implementation of the time frame and duration of online game services, the real-name registration prior to login, and paid services compliance, and (iv) families, schools and other social parties shall be actively guided, among others, to create a good environment conducive to the healthy growth of minors, to perform the guardianship duty to minors, and to strictly enforce on minors the rules on the time frame and duration of playing online games.

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On October 20, 2021, the Ministry of Education of the People’s Republic of China, along with several other government authorities, issued the Notice on Further Strengthening the Management of Preventing Primary and Middle School Students from Addiction to 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 requires relevant government authorities to, among others, ensure the NPPA’s local counterparts to properly guide online game operators to develop healthy and diversified games.

On October 16, 2023, the Cyberspace Administration of China published the Regulations on the Online Protection of Minors (《未成年人網絡保護條例》) (the “**Minor Protection Regulations**”). 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. In addition to the requirements promulgated in the previous regulations such as the anti-addiction system and real-name authentication procedures, the Minor Protection Regulations further stipulates that the online product or service providers shall comply with the following requirements: (i) establish a comprehensive anti-addiction policy, and promptly amend content, function or rules that may lead to minors’ addiction; (ii) prevent and discourage unhealthy values; (iii) continue to enforce the spending limits; (iv) periodically release updates on anti-addiction compliance; (v) implement game rules that are designed to prevent minors from addicting to online games; and (vi) implement appropriate-age reminding system, categorize games, clarify the applicable age group for the game, and label conspicuous warnings on the downloading page, user registration and login page.

In order to ensure our strict compliance with the relevant minors’ protection and anti-addiction regulations, we have implemented the following minor protection measures or made appropriate arrangements with the relevant third-parties in relation to minor protection measures.

We believe such requirements would not have a material adverse impact on our operational and financial conditions considering that the majority of the games we market and operate are RPG, which according to Analysys, are mid-core to hardcore games that mainly attract players aged over 18, which do not fall within the targeted demographics of the Regulatory Notice. Based on the information available to our Group, minors amounted to (i) 76,307, or approximately 0.0046%, of our total registered users as of September 30, 2024; and (ii) 44, or approximately 0.00040%, of our total paying users as of September 30, 2024, and contributed RMB15,494, or approximately 0.00011%, of the total gross billings in the PRC recorded by us for our games downloaded and registered during the Track Record Period. In particular, after we prohibited new minor game players from registering for our games, minors contributed RMB5,084 in gross billings in the PRC recorded by us for our games downloaded and registered after we prohibited minors from registering for new user accounts to September 30, 2024. Considering that minors are not our targeted customers, and to ensure our full and ongoing compliance with the continuously developing minors’ protection and anti-addiction regulations in the PRC, we had prohibited minors from registering for new user accounts during the Track Record Period. As of the Latest Practicable Date, we had ceased allowing access of minors to game products we publish and operate.

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### **Real-Name Registration and Anti-Addiction**

Pursuant to the minor protection laws and regulations in the PRC, users are required to submit their identification number to the Anti-addiction and Real Name Authentication System for Online Games operated by the relevant government authorities in the PRC (the “**Anti-addiction and Real Name Authentication System**”) which would automatically verify the users’ identity and decipher the users’ age based on the compilation of the identification number (the “**Real-name Registration**”).

The mobile games we operate have been connected to the Anti-addiction and Real Name Authentication System either by ourselves or through third parties to complete the Real-name Registration for users who downloaded and registered for such games, hence we are able to implement the relevant anti-addiction control measures. To implement the Real-name Registration, we will prohibit users who fail to complete the Real-name Registration from accessing the gaming products we operate.

### **Anti-Addiction Control Measures Implemented by Our Group**

Further to the Real-name Registration, a series of anti-addiction control measures are implemented by us to protect minor users including but not limited to: (i) restricting the provision of online game services to minor users under 18 years old at time other than between 20:00 to 21:00 on Fridays, weekends and statutory holidays; (ii) displaying a warning notice at the prominent place of the log-in page of online games to notify the gaming time and duration restriction for minor users; (iii) automatically banning minor users who play the game during the restricted time, or have exceeded the stipulated duration; and (iv) restricting the maximum amount of in-game spending by minor users (for instance, (a) paid services shall not be provided to minor users under eight years old; (b) for minor users between eight and 16 years old, the top up amount shall not exceed RMB50 per time and the accumulative amount shall not exceed RMB200 per month; and (c) for those over 16 years old but below 18 years old, the top up amount shall not exceed RMB100 per time and the cumulative amount shall not exceed RMB400 per month) (measures (i) to (iv) above, collectively, the “**Anti-addiction Control Measures**”).

For users who download and register for our self-published games, control measures including the Anti-addiction Control Measures on minor users are imposed by our Group or by third parties as compulsory, whereas for users who download and register for our Group’s games published and operated by third-party publishers, such third-party publishers would be responsible for the implementation of both the Real-name Registration and Anti-addiction Control Measures as appropriate when users download and register for the games. We acquire an understanding from the third-party publishers on details of their Anti-addiction Control Measures implementation and perform regular tests on the performance of the Anti-addiction Control Measures implemented by the third-party publishers.

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In addition, considering that minors are not our targeted customers, and to ensure our Group’s full and ongoing compliance with the continuously developing minors’ protection and anti-addiction regulations in the PRC, our Group had prohibited minors from registering for new user accounts during the Track Record Period. We have ceased allowing access of minors to game products we publish and operate since August 2024, and we will continue to prohibit new minor players from registering any of our games in the future.

To the best knowledge of our Directors and as advised by our Data Compliance Adviser, our current minor protection measures are in compliance with PRC laws and regulations on Real-name Registration and Anti-addiction in all material respects as of the Latest Practicable Date.

### OUR CLIENTS AND SUPPLIERS

#### Our Clients

During the Track Record Period, our clients primarily consisted of game developers, game publishers and game players. We review our clients on a regular basis. In 2022, 2023 and the nine months ended September 30, 2024, (i) our five largest clients contributed to approximately 0.8%, 0.6% and 0.5% of our total revenue, respectively; and (ii) our largest client contributed to 0.7%, 0.2% and 0.2% of our total revenue, respectively. Most of our five largest clients during the Track Record Period are located in Mainland China, except for Client B, which is located in the U.S., and Client I and Client J, which are located in Hong Kong.

Client	Revenue	% of Total Revenue in Same Period	Commencement of Business Relationship	Client Background	Services Rendered by us	Credit Terms	Settlement Method
<i>(RMB'000)</i>							
<i>For the year ended December 31, 2022</i>							
Group A <sup>(1)</sup>	40,842	0.7%	Since 2021	Third-party game publisher	Game licensing	Three months after the service provided	Bank transfer
Client B	4,089	0.1%	Since 2022	Third-party game publisher	Game licensing	Three months after the service provided	Bank transfer
Game player C	1,295	– <sup>(2)</sup>	Since 2022	Individual player	Game services	Prepayment	Bank transfer
Game player D	1,026	– <sup>(2)</sup>	Since 2022	Individual player	Game services	Prepayment	Bank transfer
Game player E	767	– <sup>(2)</sup>	Since 2022	Individual player	Game services	Prepayment	Bank transfer
<b>Total</b>	<b><u>48,019</u></b>	<b><u>0.8%</u></b>					

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Client	Revenue	% of Total Revenue in Same Period	Commencement of Business Relationship	Client Background	Services Rendered by us	Credit Terms	Settlement Method
<i>(RMB'000)</i>							
<i>For the year ended December 31, 2023</i>							
Client B	13,216	0.2%	Since 2022	Third-party game publisher	Game licensing	Three months after the service provided	Bank transfer
Group A <sup>(1)</sup>	11,013	0.2%	Since 2021	Third-party game publisher	Game licensing	Three months after the service provided	Bank transfer
Game player F	2,350	– <sup>(2)</sup>	Since 2023	Individual player	Game services	Prepayment	Bank transfer
Game player G	1,886	– <sup>(2)</sup>	Since 2023	Individual player	Game services	Prepayment	Bank transfer
Game player H	1,110	– <sup>(2)</sup>	Since 2023	Individual player	Game services	Prepayment	Bank transfer
<b>Total</b>	<b><u>29,575</u></b>	<b><u>0.6%</u></b>					

*For the nine months ended September 30, 2024*

Client I	4,243	0.2%	Since 2023	Third-party game publisher	Game licensing	Three months after the service provided	Bank transfer
Client B	2,986	0.1%	Since 2022	Third-party game publisher	Game licensing	Three months after the service provided	Bank transfer
Client J	1,446	0.1%	Since 2022	Third-party game publisher	Game licensing	Two months after the service provided	Bank transfer
Game player K	1,160	0.1%	Since 2023	Individual player	Game services	Prepayment	Bank transfer
Game player L	916	– <sup>(2)</sup>	Since 2023	Individual player	Game services	Prepayment	Bank transfer
<b>Total</b>	<b><u>10,751</u></b>	<b><u>0.5%</u></b>					

*Notes:*

- (1) To the best of the knowledge of our Directors, Group A consisted of two companies, namely, Client M and Client N, which are controlled by the same shareholder and thus we treat them as one supplier.
- (2) Less than 0.1%.

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As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders owned more than 5% of the issued share capital of us as of the Latest Practicable Date, had any interest in any of our five largest clients during the Track Record Period.

### Our Suppliers

During the Track Record Period, our suppliers primarily consisted of third-party game publishers, advertising and marketing agencies and third-party game developers. In 2022, 2023 and the nine months ended September 30, 2024, (i) our five largest suppliers contributed to approximately 47.4%, 43.3% and 47.8% of our total purchases (“**total purchase**” is defined as purchases from third-party developers, third-party game publishers, advertising and marketing agencies and third-party distribution channels as recognized in the cost of sales and selling and distribution expenses in this document), respectively; and (ii) our largest supplier contributed to 14.1%, 12.3% and 16.7% of our total purchases, respectively. All of our five largest suppliers during the Track Record Period are located in Mainland China.

Supplier	Transaction Amount	% of Total Purchases in Same Period	Commencement of Business Relationship	Supplier Background	Services Rendered to us	Credit Terms	Settlement Method
<i>(RMB'000)</i>							
<i>For the year ended December 31, 2022</i>							
Group A <sup>(1)</sup>	715,105	14.1%	Since 2020	Third-party game publisher	Game publishing and operation	Two months after service provided	Bank transfer
Group B <sup>(2)</sup>	669,845	13.2%	Since 2018	Advertising and marketing agency	Advertising services	55 days after service provided	Bank transfer, bank acceptance
Supplier C	418,996	8.3%	Since 2021	Third-party game publisher	Game publishing and operation	Two months after service provided	Bank transfer
Supplier D	400,209	7.9%	Since 2021	Third-party game publisher	Game publishing and operation	Two months after service provided	Bank transfer
Shanghai Tianxuan Information Technology Co., LTD (上海天暄信息科技有限公司)	193,877	3.8%	Since 2019	Third-party game developer	Game development	Four months after service provided	Bank transfer
<b>Total</b>	<b>2,398,032</b>	<b>47.4%</b>					

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Supplier	Transaction Amount	% of Total Purchases in Same Period	Commencement of Business Relationship	Supplier Background	Services Rendered to us	Credit Terms	Settlement Method
<i>(RMB'000)</i>							
<i>For the year ended December 31, 2023</i>							
Supplier E	585,135	12.3%	Since 2022	Third-party game publisher	Game publishing	Two months after service provided	Bank transfer
Supplier D	449,721	9.4%	Since 2021	Third-party game publisher	Game publishing	Two months after service provided	Bank transfer
Group B <sup>(2)</sup>	435,215	9.1%	Since 2018	Advertising and marketing agency	Advertising services	55 days after service provided	Bank transfer, bank acceptance
Group A <sup>(1)</sup>	329,307	6.9%	Since 2020	Third-party game publisher	Game licensing	Two months after the service provided	Bank transfer
Supplier F	264,518	5.6%	Since 2023	Third-party game publisher	Game publishing	Two months after service provided	Bank transfer
<b>Total</b>	<b><u>2,063,896</u></b>	<b><u>43.3%</u></b>					

*For the nine months ended September 30, 2024*

Supplier G	319,384	16.7%	Since 2022	Third-party game publisher	Game publishing	Two months after service provided	Bank transfer
Supplier H	220,227	11.5%	Since 2018	Advertising and marketing agency	Advertising services	Two months after service provided	Bank transfer, bank acceptance
Supplier F	173,525	9.1%	Since 2023	Third-party game publisher	Game publishing	Two months after service provided	Bank transfer
Supplier E	103,324	5.4%	Since 2022	Third-party game publisher	Game publishing	Two months after service provided	Bank transfer
Group B <sup>(2)</sup>	98,238	5.1%	Since 2018	Advertising and marketing agency	Advertising services	55 days after service provided	Bank transfer, bank acceptance
<b>Total</b>	<b><u>914,699</u></b>	<b><u>47.8%</u></b>					

*Notes:*

- (1) To the best of the knowledge of our Directors, Group A consisted of four companies, namely, Supplier I, Supplier J, Supplier K and Supplier L, which are controlled by the same shareholder and thus we treat them as one supplier.
- (2) To the best of the knowledge of our Directors, Group B consisted of two companies, namely, Supplier M and Supplier N, which are controlled by the same shareholder and thus we treat them as one supplier.



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As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders owned more than 5% of the issued share capital of us as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period. None of our top five clients is our supplier and none of our top five supplier is our client during the Track Record Period.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage of or delay in supply.

### AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received during the Track Record Period:

Award Year(s)	Award or Recognition	Issuing Authority/Institution	Entity
2024	Top 30 Digital Economy Companies in Sichuan Province (四川省數字經濟30強)	Sichuan Enterprise Federation (四川省企業聯合會), Sichuan Entrepreneurs Association (四川省企業家協會)	Chengdu Uni-Star Interactive
2024	2024 Huya Advertisers' Conference Award for Most Promising Commercial Partnership (2024虎牙廣告主大會最具商業合作潛力獎)	Huya (虎牙)	Guangzhou Uni-Star Interactive
2024	2024 Golden Banner Award (2024金色旗幟獎)	Kuaishou Magnetic Engine Game Commercial Business Center (快手磁力引擎遊戲商業業務中心)	Guangzhou Uni-Star Interactive
2024	2024 Guangzhou Minor Online Ecosystem Governance Base Practice Center (2024廣州市未成年人網絡生態治理基地實踐基地)	Guangzhou Municipal Committee Cyberspace Administration (廣州市委網信辦)	Guangzhou Uni-Star Interactive
2024	China Audio-Visual and Digital Publishing Association Game Industry Research Expert Committee Member Unit (中國音像與數字出版協會遊戲產業研究專家委員會委員單位)	China Audio-video and Digital Publishing Association (中國音像與數字出版協會)	Chengdu Uni-Star Interactive

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Award Year(s)	Award or Recognition	Issuing Authority/Institution	Entity
2023	Top Ten Outstanding Game Operation Enterprises of the Year (年度十強優秀遊戲運營企業)	China Audio-video and Digital Publishing Association, Game Working Committee (中國音像與數字出版協會,遊戲工委)	Chengdu Uni-Star Interactive
2023	Xiangyang Award — The Most Competitive Advertisers of the Year (最具競爭實力廣告主向陽獎)	Tencent Advertisement (騰訊廣告)	Chengdu Uni-Star Interactive
2023	Outstanding Online Game Enterprises of the Year (年度優秀網絡遊戲企業)	Guangdong Game Industry Association (廣東省遊戲產業協會)	Guangzhou Uni-Star Interactive
2023	Sichuan Top 100 Enterprises (四川百強企業)	Sichuan Provincial Enterprise Confederation, Sichuan Entrepreneur Association (四川省企業聯合會,四川省企業家協會)	Chengdu Uni-Star Interactive
2022	Xiangyang Award — All-round Corporate Advertiser of the Year (向陽獎-年度全能企業廣告主)	Tencent Advertisement (騰訊廣告)	Chengdu Uni-Star Interactive
2022	Best Marketing Game Company of the Year (營銷年度最佳遊戲公司)	vivo Developer Conference (vivo開發者大會)	Chengdu Uni-Star Interactive
2022	Best Partner of the Year (最佳合夥人)	Ocean Engine (巨量引擎)	Chengdu Uni-Star Interactive
2022	Best Partner of the Year (年度最佳合作夥伴)	Quark Instant Game (誇克小遊戲)	Shanghai Qunong Network Technology Co., Ltd.
2022	Greatest Potential Enterprise Award of the Year (年度最具潛力獎)	UC Instant Game (UC小遊戲)	Shanghai Qunong Network Technology Co., Ltd.
2022	Greatest Potential Enterprise Award of the Year (年度最具潛力獎)	UC Instant Game (UC小遊戲)	Shanghai Jushi Network Technology Co., Ltd.

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### COMPETITION

We compete primarily with other mobile game developers and publishers in China. The mobile game industry is highly competitive, with frequent introduction of new games, rapidly developing technologies, evolving methods of marketing and traffic acquisition and distribution channels, and constantly changing player preferences. We compete primarily on the basis of our player base, ability to develop and source popular games to enrich our game portfolio, ability to ensure gameplay experience quality, ability to cultivate players’ loyalty and promote reputation, ability to enhance monetization of our games, ability to extend the lifecycle of our games and relationships with distribution channels and marketing and promotion platforms. However, some of our existing and potential mobile game competitors have greater financial, technological and marketing resources, larger user bases, stronger relationships with industry participants and a larger and more diverse portfolio of mobile games and resources than we do. Our mobile game competitors could also publish more popular games to compete with our offerings and adversely affect our ability to attract and retain players and their leisure time. For details of our competitive landscape, see “Risk Factors — Risks Relating to Our Business, Industry, Financial Prospects And General Operations — The markets in which we operate are highly competitive. If we are unable to compete effectively against our competitors, our game player base, market share and profitability may be materially and adversely affected” in this document.

### HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Since our founding, we have been highly committed to sustainable corporate responsibility projects, both through charitable endeavors and by extending our efforts to benefit the society at large. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. We strive to operate our workplace and data centers in a manner that protects the environment and the health and safety of our employees and communities. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

### Our Environmental, Social and Governance Policy

We have in place an environmental, social and governance (“ESG”) policy which sets out key ESG-related objectives and responsibilities. Pursuant to the ESG policy, our Board is required to review our core principles in terms of ESG matters every two years, including maintaining ESG as a key priority for our employees; fostering a culture of acting in accordance with the ESG policy; and monitoring and reporting key environmental and social risks, mitigation and opportunities for improvement.

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Under the ESG policy, we will establish an ESG Oversight Committee under our Board, and this ESG Oversight Committee will have responsibility for the identification, evaluation, prioritization and management of material ESG-related matters. As set forth in our ESG policy, our ESG Oversight Committee will comprise our chief executive officer, head of legal, head of human resources, head of administrative management, customer service manager and other core management representatives as may be appropriate from time to time. For details of our senior management’s qualifications and experience, see “Directors and Senior Management — Senior Management” in this document. The ESG Oversight Committee will meet every half-year to identify, evaluate and manage progress of annual key objectives. We will incorporate ESG-related matters into various training programs for our employees. The ESG Oversight Committee will also have primary responsibility for preparing our ESG report. The ESG Oversight Committee will report to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

As a game developer and publisher, a substantial portion of our business is conducted online and we do not operate any production facilities. Therefore, we are not subject to significant health, safety or environmental risks. We expect our future annual costs in relation to environmental, health and workplace safety compliance to be immaterial. Nonetheless, our Directors will continue to monitor the implementation of ESG policy and issues, and to assess and identify ESG risks in order for our Group to respond to any future change in relation to environmental, social and governance aspects, and to ensure compliance with the relevant legal and regulatory requirements. We strive to operate our workplace in a manner that protects the environment and the health and safety of our employees. During the Track Record Period, our Directors confirm that we have encountered no material accidents in our course of business with respect to environmental, health and workplace safety regulation in any jurisdiction in which we conducted business. Our Directors also confirm that we did not incur any material environmental, health, social and workplace safety compliance cost nor became subject to any fines or other penalties due to non-compliance with the relevant laws during the Track Record Period, and they are expected to remain at similar levels in the foreseeable future. Given the nature of the mobile game business, we do not believe that there are significant environmental or climate-related risks which impact our business, strategy or financial performance.

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### ESG Metrics and Targets

#### *Greenhouse Gas*

Greenhouse gas (“GHG”) emissions are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks, and opportunities in our investments, it is integral to measure and disclose our carbon footprint as a first step in our ESG journey. For the nine months ended September 30, 2024, we recorded approximately 103 tons of scope 1 emissions and approximately 866 tons of scope 2 emissions.

GHG emissions are produced by us mainly due to the use of electricity during our daily operation. Climate-related issues are among our key agenda. We aim to reduce our GHG emissions and our current target is to gradually adopt more environmentally friendly measures and reduce our energy consumption in our daily operation. The data will serve as a foundation of developing more relevant energy reduction strategies and setting appropriate reduction targets for our Company in the future.

#### *Resource Consumption*

The Board will set metrics and targets for material KPIs for each financial year with reference to the disclosure requirements of Appendix 27 to the Listing Rules. Considering the nature of the mobile game business, the Board has identified energy and water as the key metrics and targets, of which we will endeavor to apply measures to conserve. These include the volume of electricity in kilo-Watt-hour (“kWh”) and water in cubic meter consumed by our office premises. Our electricity consumption is primarily used for the operation and maintenance of our office equipment and appliances, such as computers, the level of which is generally associated with our business scale and number of employees. The table below sets forth the resource consumption of our head office in Guangzhou in 2022, 2023 and the nine months ended September 30, 2024

Type of energy/ resources	Year Ended December 31, 2022	Year Ended December 31, 2023	Nine Months Ended September 30, 2024
Electricity	997,482 kWh	1,632,995 kWh	1,420,117 kWh
Water	8,443 m <sup>3</sup>	16,980 m <sup>3</sup>	9,718 m <sup>3</sup>

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From 2022 to 2023, the increase in resource consumption was primarily due to (i) our business scale continuously expanded, leading to a rise in the number of employees; (ii) during the year of 2022, because of the impact of pandemic, we allowed employees to work from home and after the pandemic ended in early 2023, we required employees to return to on-site work; and (iii) we leased new office buildings in 2022, significantly increasing our office space. Therefore, as more employees worked on-site at the office and the expansion of office areas, our resource consumption increased from 2022 to 2023. However, as we are putting emphasis on reducing resource consumption, we believe such onward resource consumption trend is temporary and will not last in the future.

We strive to use resources effectively and minimize the discharge of wastes. In the ordinary course of business, we actively engage employees on the importance of energy conservation. We have implemented the following measures to conserve electricity and water, including: (i) keep indoor air-conditioning temperature at 26°C during summer; (ii) encourage staff to print in black and white, and avoid wasting paper; and (iii) reminding the staff to completely switch off computers and electronic devices after office hours or when they are not in use. We will implement the following electricity and water consumption targets (taking into account of the expected increase of number of employees and consumption in line with our business expansion) for the year ended December 31, 2025.

<u>Type of energy/resources</u>	<u>Annual performance target for the year ended December 31, 2025</u>
Electricity	1,798,047 kWh
Water	12,829 m <sup>3</sup>

### *Health and Safety*

During the Track Record Period, we did not have any health or safety incidents.

### *Public Awareness Education*

We have endeavored to raise public awareness of the limits on minors’ video game playing time. For example, we have imposed measures on the account of minors as required by their parents, and shall provide necessary assistance to the parents by performing continuous follow-up observations and reporting the activities of such account in a timely manner, in order to curb or prohibit improper in-game behavior of minors.

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### **Corporate Governance**

We are committed to shaping our corporate governance and culture to a high standard. We believe good corporate governance and healthy culture are essential to our employees’ well-being as well as our business development. To this end, we put in place measures as follows:

#### ***Development and Training***

We continuously invest in the training and career development of young talents. We have always striven to provide our engineers and other employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. We support the physical and behavioral health and well-being of our team members and their families by providing an array of programs that help our people and their loved ones stay at their best level of health. Our workforce is as diverse as the community we serve, and we believe that everyone deserves respect. We are committed to the education, recruitment, development and advancement of our team members. We not only focus on employees’ professional development but have also made efforts to incentivize our employees to have a “sense of goals” and “sense of fulfillment.” Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

#### ***Employment***

Our Group has established rules and procedures of, among others, recruitment, job promotion, compensation, benefits, rest periods, and dismissal, etc., to protect our employees’ rights. During recruitment and job promotion, our Group follows the principle of “selection on merit”, taking into account the performance, work experience and capability of the applicant or employee. Our Group advocates a diverse and equal workforce culture by ensuring that applicants and employees are not discriminated against on the basis of gender, age, race, family status or physical disability. Our Group determines employees’ compensation packages on the basis of work performance and the market standard of remuneration. All of these measures aim to provide our employees with a fair work environment.

#### ***Labor Standards***

Our Directors confirm that our Group does not employ children and prohibits any form of forced labor within our operations. Our Directors confirm that our Group has complied in all material aspects with the laws and regulations relating to child and forced labor. As an

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additional measure to avoid violating labor laws and regulations, our Group inspects all applicants’ identity documents during the recruitment process. Our Directors confirm that if any child labor or forced labor business is discovered, our Group will seek legal advice and take corrective measures immediately.

### *Supplier Management*

Our Group prescribes transparent procurement procedures for selecting suitable suppliers in a fair, impartial and open manner. Our Group’s procedures ensure fair competition during our procurement, including adopting an objective selection criteria. These procedures protect the interests of both our Group and the supplier. Our Group’s procurement considerations, including but not limited to service quality, pricing and delivery time, aim to reduce procurement risk and enhance procurement efficiency.

### *Corruption Prevention*

The Group strives to be ethical in our business operations, and does not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. Our Directors confirm that our Group complies with the laws and regulations regarding bribery, extortion, fraud and money laundering in all material aspects. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group received no allegations against us or our employees regarding bribery, extortion, fraud or money laundering. Our Group requires all employees to comply with professional ethics, and prohibits any form of corruption. Employees who are found to have committed corruption will be discharged from their duties and be held accountable for his/her judicial responsibility.

### *Social Responsibility*

As one of the important tenets of our business, we aspire to be a socially responsible company that gives back and brings benefit to the community and society. For example, in January 2024, we held a public welfare class at the Chengdu Cultural Hall, and had face-to-face interaction and Q&A with dozens of families, aiming to help participating families learn more about online literacy, healthy and safe online behavior habits, and preventing internet addiction in a relaxed and enjoyable atmosphere.

### *ESG Risks Identification, Assessment and Management Process*

The ESG working group will meet no less than annually to identify, evaluate and manage progress of annual key objectives agreed by our Board. The ESG working group adopts a control and risk self-assessment methodology and continuously assesses and manages its ESG and climate-related risk profile. ESG and climate-related risks that are relevant to our business are identified, assessed and ranked according to their likelihood, financial consequence and reputation impact on us. Where the ESG working group considers it necessary, it may engage a third-party consultant to support us in fulfilling our ESG objectives. We will incorporate ESG-related matters into various training programs for our employees. The ESG working



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group will also have primary responsibility for preparing our ESG report and devising mitigation and management measures to alleviate ESG risk and impact. The ESG working group will report to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving the publication of our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

### INTELLECTUAL PROPERTY

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of the Latest Practicable Date, we had (i) 1,036 granted trademarks; (ii) 413 granted computer software copyrights; (iii) 87 granted domain names; (iv) 1,989 copy rights in our work; and (v) one patent.

We have put in place comprehensive intellectual property protection policies and related internal control systems to ensure our ability to obtain and maintain intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our intellectual property rights, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties. Highlights of our intellectual property protection policies and related internal control system include the following:

- We perform searches on related intellectual property rights to make sure our intellectual property rights will not be challenged.
- We file copyrights, trademarks and patents with the relevant authorities to protect our brand image and technological innovations. We regularly monitor third-party actions to protect our IP from time to time and take appropriate measures against any infringement.
- We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our business partners. We have entered into confidentiality agreements and non-competition agreements with our senior management and other employees who have access to trade secrets or confidential information about our business. Our confidentiality agreements and non-competition agreements contain an assignment clause under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of the employees’ work.
- We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining the physical security of our premises and the physical and electronic security of our information technology systems.

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During the Track Record Period, we had not been subject to any material intellectual property infringement claims.

### EMPLOYEES

As of September 30, 2024, we had 1,035 full-time employees, all of whom were based in China. The following table sets forth the numbers of our employees categorized by function as of September 30, 2024:

	Number of employees	% of total
Publishing and operation	313	30.2%
Research and development	494	47.7%
Sales and marketing	179	17.3%
General administration	49	4.7%
<b>Total</b>	<b><u>1,035</u></b>	<b><u>100.0%</u></b>

We have always striven to provide employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. Furthermore, we are committed to providing a safe and healthy workplace, which is backed by strict policies and robust team member education, along with continued investments in technology. Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making. As required by relevant laws and regulations in China, we participated in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension insurance, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. We participate in and make contributions to those social security plans and employee benefit plans by ourselves.

We are committed to establishing competitive and fair remunerations. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluations for our employees monthly to provide feedback on their performance. Compensation for our staff typically consists of a base salary and a performance-based bonus.

We typically enter into standard employment agreements with our employees. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after the termination of his or her employment; and standard confidentiality obligations. Although we do not have a labor union, we believe that we maintain a good working relationship with our employees, and we had not experienced any material labor disputes during the Track Record Period.

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### INSURANCE

We have obtained insurance to cover certain potential risks and liabilities. In particular, our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations.

During the Track Record Period, we did not make any material insurance claims in relation to our business. We consider our insurance coverage to be adequate as we have complied with the applicable employment laws and regulations in all material respects and in accordance with the commercial practices in our industry, and there have been no existing material labor-related legal proceedings against us in the PRC as of the Latest Practicable Date. However, our insurance policies are subject to standard deductibles, exclusions and limitations. As a result, our insurance policies may not be able to cover all of our losses, and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of our insurance policies. For details, see “Risk Factors — Risks Relating to Our Business, Industry, Financial Prospects And General Operations — We have limited insurance coverage, which could expose us to significant costs and business disruption” in this document.

### PROPERTIES

Our corporate headquarter is located at Building A4-A5, Yuanchuang Community, Huguang Yiheng Road, Tangxia Street, Tianhe District, Guangzhou, Guangdong, China. As of the Latest Practicable Date, we did not own any property and operated our businesses through two leased properties with an aggregated gross floor area of approximately 14,614.78 square meters in Guangzhou City, Guangdong Province and Chengdu City, Sichuan Province. Our leased properties in the PRC serve as our offices with lease expiry dates ranging from November 2027 to December 2027. During the Track Record Period, we did not experience any material dispute arising out of our leased properties.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we did not register two of our leased properties, which are used for our offices. Our PRC Legal Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the lease agreements, and we will continue to seek cooperation from the lessors of the leased properties to register executed lease agreements with the relevant PRC government authorities in the future.

### LICENSES AND PERMITS

Our PRC Legal Advisers have advised us that we had obtained licenses, approvals and permits that are material for our business operations in the PRC during the Track Record Period. In the opinion of our PRC Legal Advisers, our PRC subsidiaries had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business during the Track Record Period.

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We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations. Our PRC Legal Advisers have advised us that there is no material legal impediment to renewing such permits or licenses provided that we have complied with all the related requirements under the applicable PRC laws and regulations.

The following table sets forth a list of our material licenses, approvals and permits:

Name of License, Approval and Permit	Holder	Issuing Authority	Expiration Date
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Shanghai Jushi Network Technology Co., Ltd.	Communication Administration Bureau of Shanghai	February 26, 2028
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Shanghai Qunong Network Technology Co., Ltd.	Communication Administration Bureau of Shanghai	January 25, 2029
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Chengdu Hehuida Network Technology Co., Ltd.	Communication Administration Bureau of Sichuan	March 13, 2029
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Chengdu Dingqingshan Network Technology Co., Ltd.	Communication Administration Bureau of Sichuan	July 25, 2029
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Chengdu Jinhongtu Network Technology Co., Ltd.	Communication Administration Bureau of Sichuan Province	March 31, 2029
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Chengdu Herunxuan Network Technology Co., Ltd.	Communication Administration Bureau of Sichuan Province	March 31, 2029

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<b>Name of License, Approval and Permit</b>	<b>Holder</b>	<b>Issuing Authority</b>	<b>Expiration Date</b>
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	Shanghai Yuanxi Network Technology Co., Ltd.	Communication Administration Bureau of Shanghai	October 10, 2025
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	Chengdu Xingbang Interactive Entertainment Network Technology Co., Ltd.	Communication Administration Bureau of Sichuan Province	September 29, 2027
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	Hainan Jianzhi Network Technology Co., Ltd.	Communication Administration Bureau of Hainan Province	November 16, 2027
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	Hainan Xingbang Interactive Entertainment Network Technology Co., Ltd.	Communication Administration Bureau of Hainan Province	March 10, 2028
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	Shanghai Lingku Network Technology Co., Ltd.	Communication Administration Bureau of Shanghai	April 7, 2028
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	Shanghai Yuexi Network Technology Co., Ltd.	Communication Administration Bureau of Shanghai	April 28, 2028
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	Shanghai Aoren Network Technology Co., Ltd.	Communication Administration Bureau of Shanghai	November 27, 2028
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	Shanghai Pingyekuo Network Technology Co., Ltd.	Communication Administration Bureau of Shanghai	August 28, 2028

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Name of License, Approval and Permit	Holder	Issuing Authority	Expiration Date
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Yibin Xingcheng Network Technology Co., Ltd.	Communication Administration Bureau of Sichuan Province	September 22, 2028
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Guangzhou Renfengjin Network Technology Co., Ltd.	Communication Administration Bureau of Guangdong Province	March 19, 2029
Value-added Telecommunication Business Operation License (增值電信業 務經營許可)	Huludao Xingbang Network Technology Co., Ltd.	Communication Administration Bureau of Liaoning	September 26, 2029

## LEGAL PROCEEDINGS AND COMPLIANCE

### Legal Proceedings

As a mobile game developer and publisher in the PRC, during the Track Record Period and up to the Latest Practicable Date, we were subject to legal, arbitration or administrative proceedings arising out of the ordinary course of our business from time to time, primarily including disputes regarding service contracts, trademarks, and computer software copyrights. However, our Directors confirm that, as of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings; and we were not aware of any material litigation, arbitration or administrative proceedings pending or threatened which would materially and adversely affect our business. Our Directors were not involved in any actual or threatened material claims or litigation. For details of relevant risks, see “Risk Factors — Risks Relating to Our Business, Industry, Financial Prospects And General Operations — We may become a party to legal or administrative proceedings or regulatory inquiries, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operations and cash flows” in this document.

### Non-compliance

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

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### *Failure to make social insurance and housing provident fund contributions in full*

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. In 2022, 2023 and the nine months ended September 30, 2024, the total outstanding amount of our social insurance and housing provident fund contributions was RMB9.6 million, RMB16.2 million and RMB17.8 million, respectively. We believe that neither the outstanding social insurance contributions nor housing provident fund contributions will have a material adverse impact on our business and operations.

Pursuant to relevant 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 period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions are due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay housing provident fund in full, the relevant housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. If these enforcement actions were taken by relevant authorities, our financial position and results of operation may be affected. For details of related risks, see “Risk Factors — Risks Relating to Government Regulations — Certain of our subsidiaries have not made all necessary contributions to the social insurance and housing provident fund, which could subject us to penalties, including fines and court enforcement” in this document.

We have obtained oral confirmations from competent local authorities in charge of social insurance premiums and housing provident funds for most of our employees, confirming that, during the Track Record Period, we have not been penalized for violating laws and regulations related to social insurance and housing provident fund. As of the Latest Practicable Date, we had not received any notice from relevant local authorities regarding the shortfall of our social insurance and housing provident fund contributions.

Having considered the above-mentioned relevant PRC laws and regulations, and the written/oral confirmation obtained from the competent authorities, we undertake that in the event that the regulator and/or relevant governmental authorities order us to pay the overdue social insurance contributions and/or housing provident fund contributions, we will comply with such order within the prescribed time limit. We will regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds and settle the outstanding amount of the social insurance and housing provident as required.

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Furthermore, as of the Latest Practicable Date, we were not aware of any material labor disputes with respect to social insurance and housing provident fund contribution. Based on the above-mentioned confirmations and undertaking, as well as the interviews conducted with the relevant government authorities, our PRC Legal Advisers are of the opinion that, assuming there is no material change to current laws and regulations and the practice in policy execution and inspection of local governments in connection with this matter, the likelihood that our Group would be required overall by relevant authorities to pay the entire shortfall for social insurance and housing provident fund contributions or that we are subject to material administrative penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is remote.

Notwithstanding above, we have taken the following enhanced internal control measures in connection with social insurance and housing provident fund contributions: (i) strengthen legal compliance training to our employees in compliance, finance and human resources departments; (ii) formulate an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement; (iii) designate our human resources staff to review and monitor the payment status on a monthly basis; and (iv) increase awareness of development in laws and regulations among our employees, and regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We recognize that effective risk management and internal control are critical to ensure successful business operation. As such, we have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information systems, internal control, human resources and regulatory compliance. We will review of the implementation of our risk management policies and internal control measures to ensure their effectiveness and sufficiency. However, we are still exposed to relevant risks during our business and operations. For more information, see “Risk Factors — Risks Relating To Our Business, Industry, Financial Prospect and Business Operations — Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations” in this document.

#### **Financial Reporting Risk Management**

We have implemented a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance department and staff management policies. We have various procedures in place to implement accounting policies and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.



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### **Investment Policies and Risk Management**

We have established a set of investment policies and internal control measures to achieve reasonable returns on our idle cash while mitigating our exposure to investment risks. Our short-term investment plan for wealth management products is prepared by our finance department and approved by our general manager office; and long-term investment plan for wealth management products is prepared by our general manager office and approved by our Board of director.

We believe that investment in low-risk financial products helps us make better use of our cash, expand our source of income while ensuring sufficient cash flow for business operations and capital expenditures. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments in wealth management products while mitigating our exposure to investment risks. These policies and measures primarily include:

- Our finance department is responsible for selecting and monitoring the performance of financial products. We generally designate qualified personnel in our finance department to work on the investment of financial products. The investment decisions of our finance department are subject to the approval of our senior management team. In general, we only allow making investments to principal protected products with low investment risk;
- Our Board is responsible for overseeing all investment decisions and evaluating the reasons for the investment and will conduct periodic reviews on the liquidity and interest income of our investments;
- We make investment decisions based on our estimated capital requirements in the near future and our annual financial forecast, taking into account the term, expected returns and risks of the financial products; and
- We periodically assess the liquidity, capital structure and investments position of our Group and make capital expenditure arrangements and cash flow forecasts. We also regularly analyze the difference between our actual cash outflow and our cash flow forecast or our budget and make investment decisions based on such assessment and analysis results accordingly.

### **Information System Risk Management**

Sufficient maintenance, storage and protection of our important data such as business and financial data and other related information is critical to our success. We have implemented relevant internal procedures and controls to ensure that our data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

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We have established an information system security management framework, including relevant internal control and risk management mechanisms to manage network security, data security, anti-virus measures, approval procedure for system changes, user management, system monitoring and incident management. We have also released clear standards and requirements for data backup and archive, and put in place a procedure of periodical data validity testing.

We provide information security training to our employees and conduct ongoing training and discuss any issues or necessary updates from time to time. We also have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis.

Our IT team is collectively responsible for our IT systems and infrastructure. Among other things, the relevant responsibilities include ensuring that the usage, maintenance and protection of user data are in compliance with our internal rules and the applicable laws and regulations.

### **Internal Control Risk Management**

We have designed and adopted internal control mechanisms and strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We have established an internal control team which works under the supervision of our directors and senior management members to design and improve internal control mechanisms and works closely with our business units to (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our Company.

We have also designed our internal and external communication policies, which provide information categorization rules, proper communication channels, confidential information management procedures, regulatory filing and public communication procedures.

In accordance with our procedures, our in-house legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by counterparties to perform their obligations under our business contracts and all necessary underlying due diligence materials, before we enter into any contract or business arrangements. We also have detailed internal procedures in place to ensure that our in-house legal department reviews the products we market and operate and the relevant services we provide, including upgrades to existing products for regulatory compliance before they are made available to the general public. Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

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### **Intellectual Property Infringement Risk Management**

We have formulated policies to regulate the management of intellectual property rights such as computer software copyrights and trademarks. The in-house legal department and the administration department are jointly responsible for intellectual property-related management and compliance. We have adopted the following internal control measures over intellectual property infringement risks:

- We have established a copyright center designated to monitor our intellectual property infringement risks. Before we enter into an IP licensing agreement, our copyright center conducts independent background checks on the identity of the legal owner of the IP. For games developed based on IPs licensed by game developers, our copyright center also requires the game developer to provide us with a power of attorney issued by the IP owner.
- Our copyright center requires the game developer to provide its Computer Software Copyright Registration Certificate (軟件著作權登記證書) before we enter into any collaboration agreement, which also contains undertakings by the game developer to be the rightful owner of the game copyright.
- Our legal team maintains a register which records details of our licensed IPs and games including their copyright registration numbers, amongst others.

### **Human Resources Risk Management**

We provide regular and specialized training tailored to (i) the needs of our employees in different departments, and (ii) our anti-bribery and anti-corruption policy. We have a training department which regularly organizes internal training sessions conducted by senior instructors or outside consultants on topics of interest that employees can vote on. The training center schedules regular online and classroom training, reviews the content of the training, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these training sessions, we ensure that our staff’s skill sets and knowledge level of our anti-bribery and anti-corruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the ordinary course of businesses.

We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

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### **Regulatory Compliance and Legal Risk Management — Anti-Bribery and Anti-Corruption Policies**

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-corruption, anti-bribery and conflict of interest matters. First, as part of our risk management and internal control measures, we have adopted a series of internal regulations against corrupt, bribery and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. We have anti-corruption rewards in return for valuable information. Second, our internal control department carefully evaluates risk events of potential corruption and bribery and conducts investigations when necessary. Third, we have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. Fourth, our internal control department conducts internal control inspections regularly. Employees are required to acknowledge and accept our internal code of business conduct and ethics that lists in detail relevant policies and regulations, including but not limited to clear definitions of bribery, corruption and interested parties. We impose on directors, senior management and employees penalties and require compensation for any losses incurred as a result of any activities concerning bribery and corruption.

We will improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We also undertake compliance management over various aspects of our operations and employee activities, and have established an accountability system in respect of employees’ violations of laws, regulations and internal policies. In addition, we will review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

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### **Regulatory Compliance and Legal Risk Management — Mobile Game Publication Policies**

Our legal department is responsible for obtaining pre-approvals from the NPPA for publication of our mobile games. The general legal counsel, the legal director and the legal manager in the legal department are mainly in charge of monitoring the Group’s compliance with the pre-approvals for game publishing. Prior to the publication of each game, our game operations department will work with, amongst others, the legal department and check against our internal compliance checklist, which contains items including whether such game has obtained the pre-approval from the NPPA. Our compliance policy specifies the following to prevent the recurrence of such non-compliance:

- (1) providing regular training to the relevant personnel within our legal department in respect of the relevant laws and requirements from time to time;
- (2) engaging external legal advisers from time to time to offer professional advice on games and licensing management requirements and other regulatory and legal compliance requirements;
- (3) requiring communication from time to time between our legal department and our publishing and operation team to update the status of any related filings and approvals.

### **Board Oversight**

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have established an audit committee to review and supervise our financial reporting process and internal control system and monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, namely Mr. Chen Aiwen (陳愛文), Dr. Zhu Wuxiang (朱武祥) and Dr. Wang Yong (王勇), whom are all independent non-executive directors. Mr. Chen Aiwen (陳愛文) is the chairman of the audit committee. For details of the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management” in this document.

We have also established an internal audit department which is responsible for reviewing the effectiveness of risk management policies and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement for resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee in a timely manner. The audit committee then discusses the issues and reports to the Board if necessary.

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## CONTRACTUAL ARRANGEMENTS

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### BACKGROUND ON THE CONTRACTUAL ARRANGEMENTS

#### Relevant Businesses

Foreign investment activities in China are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Version) (外商投資准入特別管理措施(負面清單)(2024年版)) (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (鼓勵外商投資產業目錄(2022年版)), which were promulgated jointly by the MOFCOM and the NDRC. The Negative List sets out industries “prohibited” or “restricted” for foreign investment, and all industries not “prohibited” or “restricted” are deemed to be “permitted” for foreign investment.

A summary of our businesses or operations that are subject to foreign investment restriction in accordance with the Negative List is set out below (the “**Relevant Businesses**”).

<b>Business</b>	<b>Category</b>	<b>Our business/operation</b>
Internet cultural business	Prohibited	<p>According to the Provisional Regulations for the Administration of Internet Culture (互聯網文化管理暫行規定) (the “<b>Internet Culture Measures</b>”), the internet cultural business refers to the activities of providing internet culture products and services, including producing, reproducing, importing, distributing and broadcasting internet culture products and other activities.</p> <p>Each of the Consolidated Affiliated Entities is or plans to be principally engaged in the operation of games through mobile apps and third-party distribution channels in the PRC, which falls within the scope of “internet cultural activities” under the Internet Culture Measures.</p> <p>According to the Negative List, the internet cultural business conducted by us fall within the “prohibited” category and foreign investors are prohibited from holding equity interests in any enterprise engaged in such business.</p>

## CONTRACTUAL ARRANGEMENTS

Business	Category	Our business/operation
Value-added telecommunications services business (the “VATS Business”)	Restricted	<p>Each of the Consolidated Affiliated Entities is or plans to be principally engaged in the operation of games through mobile apps and third-party distribution channels in the PRC, which falls within the scope of “value-added telecommunication service” under the Telecommunication Regulations (電信條例).</p> <p>According to the applicable PRC laws, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such business (except for electronic commerce, domestic multi-party communication, store-and-forward, and call center).</p> <p>Each of the Consolidated Affiliated Entities holds a valid value-added telecommunications business operating license (within the business scope of Internet content provider) (the “<b>ICP License</b>”) for the provision of internet information services.</p>

For details, see “Regulatory Overview — Regulations Relating to Foreign Investment” in this document.

We believe that our internet cultural business and VATS Business are fundamental components and inseparable parts of the Relevant Business because (i) as advised by our PRC Legal Advisers, operation of games through internet, according to the Internet Culture Measures, falls within the scope of “internet cultural activity” where foreign ownership is prohibited pursuant to the Negative List; and (ii) the VATS Business provided by our Group, along with the internet cultural business, which also involves the operation of online games, form an integral part of our game services. In addition, pursuant to applicable PRC laws and regulations, domestic telecommunications enterprises are prohibited from leasing, transferring or selling their licenses to foreign investors in any form and based on the above analysis, each entity which is engaged in the VATS Business must hold an ICP License to operate its relevant business. Accordingly, for the purpose of operating online games in compliance with applicable

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## CONTRACTUAL ARRANGEMENTS

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PRC laws and regulations, it is impractical for our Company to separate internet cultural business and the VATS Business from its game operation business and to hold the ICP License in a separate entity from our Consolidated Affiliated Entities.

Our PRC Legal Advisers and the PRC Legal Advisers of the Sole Sponsor conducted verbal consultation with the MIIT through the MIIT’s official enquiry line (12381) on August 23, 2024. The officers of the MIIT who responded to such consultation confirmed that a sino-foreign entity is not likely to obtain an ICP License if such entity also conducts other business falling within “prohibited business” under the Negative List, such as internet cultural business. Our PRC Legal Advisers are of the view that the MIIT is the competent authority to review the application of the ICP License by foreign invested enterprises, the official enquiry line (12381) is an appropriate channel to seek consultation with the MIIT as a public service telephone platform published on the official website of the MIIT, which is mainly responsible for the disclosure of government information, accepting and handling the public’s inquiries, suggestions and complaints on the relevant work of the MIIT, and the relevant officers accepting such consultation through official enquiry line were authorized to provide such consultation responses.

Given that our Consolidated Affiliated Entities operate the foreign prohibited business and foreign restricted business, our Company, as a foreign investor, would not be allowed to hold any equity interests in the Consolidated Affiliated Entities. Based on the advice of our PRC Legal Advisers on the PRC foreign investment restriction policies, we are of the view that the Contractual Arrangements and our corporate structure as a whole are narrowly tailored to enable us to achieve our business and operation purposes under the current PRC regulatory framework so as to minimize potential conflicts with relevant PRC laws and regulations. We will closely monitor any future development relating to the applicable PRC laws and regulations and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required in the future. We will unwind and terminate the Contractual Arrangements wholly or partly once our businesses are no longer prohibited or restricted from foreign investment and to the extent permissible under PRC laws.

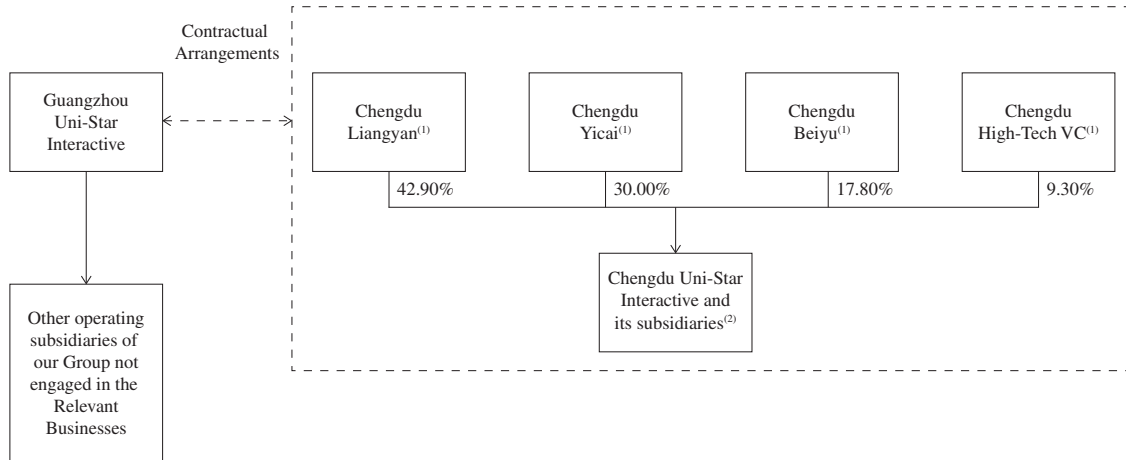
### OUR CONTRACTUAL ARRANGEMENTS

In preparation for the [REDACTED] and upon completion of the Reorganization as further detailed in the paragraph headed “History, Reorganization and Corporate Structure — Reorganization” in this document, Guangzhou Uni-Star Interactive, Chengdu Uni-Star Interactive and the Registered Shareholders, being Chengdu Liangyan, Chengdu Yicai, Chengdu Beiyu and Chengdu High-Tech VC entered into various agreements constituting the Contractual Arrangements on August 26, 2024.



## CONTRACTUAL ARRANGEMENTS

The Contractual Arrangements apply to the 100% equity interests in Chengdu Uni-Star Interactive and its subsidiaries. The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Company under the Contractual Arrangements:



“ $\longrightarrow$ ” denotes direct legal and beneficial ownership in the equity interest.

“ $\longleftarrow\text{---}\longrightarrow$ ” denotes contractual relationship.

“- - -” denotes the entities that are subject to the Contractual Arrangements.

*Notes:*

- (1) Chengdu Liangyan, Chengdu Yicai, Chengdu Beiyu and Chengdu High-Tech VC are the Registered Shareholders.
- (2) As of the Latest Practicable Date, Chengdu Uni-Star Interactive had 16 wholly-owned subsidiaries, namely, Chengdu Dingqingshan Network Technology Co., Ltd. (成都定青山網絡科技有限公司), Shanghai Aoren Network Technology Co., Ltd. (上海澳仁網絡科技有限公司), Shanghai Jushi Network Technology Co., Ltd. (上海聚市網絡科技有限公司), Chengdu Hehuida Network Technology Co., Ltd. (成都合輝達網絡科技有限公司), Shanghai Yuanxi Network Technology Co., Ltd. (上海圓戲網絡科技有限公司), Shanghai Yuexi Network Technology Co., Ltd. (上海悅戲網絡科技有限公司), Chengdu Herunxuan Network Technology Co., Ltd. (成都合潤軒網絡科技有限公司), Chengdu Jinhongtu Network Technology Co., Ltd. (成都錦宏圖網絡科技有限公司), Hainan Xingbang Interactive Entertainment Network Technology Co., Ltd. (海南星邦互娛網絡科技有限公司), Shanghai Qunong Network Technology Co., Ltd. (上海趣儂網絡科技有限公司), Shanghai Lingku Network Technology Co., Ltd. (上海零酷網絡科技有限公司), Hainan Jianzhi Network Technology Co., Ltd. (海南劍指網絡科技有限公司), Shanghai Pingyekuo Network Technology Co., Ltd. (上海平野闊網絡科技有限公司), Guangzhou Renfengjin Network Technology Co., Ltd. (廣州任風勁網絡科技有限公司), Huludao Xingbang Network Technology Co., Ltd. (葫蘆島星邦網絡科技有限公司) and Yibin Xingcheng Network Technology Co., Ltd. (宜賓星澄網絡科技有限公司).

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## CONTRACTUAL ARRANGEMENTS

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### SUMMARY OF MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A summary of the material terms of each of the specific agreements that comprise the Contractual Arrangements is set out below.

#### **Exclusive Service and Business Cooperation Agreement**

On August 26, 2024, Chengdu Uni-Star Interactive and Guangzhou Uni-Star Interactive entered into an exclusive service and business cooperation agreement (the “**Exclusive Service and Business Cooperation Agreement**”), pursuant to which Chengdu Uni-Star Interactive agreed to engage Guangzhou Uni-Star Interactive as its exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Under the Exclusive Service and Business Cooperation Agreement, the services provided by Guangzhou Uni-Star Interactive include but are not limited to internet data services, information technology consulting services, technology services, software development, network technology service, trainings and other services. Guangzhou Uni-Star Interactive has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services.

Under the Exclusive Service and Business Cooperation Agreement, the service fees shall be an amount equal to the total revenue of Chengdu Uni-Star Interactive after deducting costs, expenses, taxes and payments to be reserved or withheld as required by applicable laws, and shall be subject to Guangzhou Uni-Star Interactive’s adjustment at its sole discretion based on various factors related to the services. Apart from the service fees, Chengdu Uni-Star Interactive shall reimburse all reasonable costs, payments and out-of-pocket expenses incurred by Guangzhou Uni-Star Interactive in connection with the performance of the Exclusive Service and Business Cooperation Agreement.

In addition, absent the prior written consent of Guangzhou Uni-Star Interactive, during the term of the Exclusive Service and Business Cooperation Agreement, Chengdu Uni-Star Interactive shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar cooperation relationships with any third party. Guangzhou Uni-Star Interactive has the right to appoint any third party to provide any or all of the services, or to fulfill its obligations, under the Exclusive Service and Business Cooperation Agreement.

The Exclusive Service and Business Cooperation Agreement shall become effective from the date of execution, and shall remain valid terminated by Guangzhou Uni-Star Interactive with at least 30 days’ prior written notice.

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## CONTRACTUAL ARRANGEMENTS

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### Exclusive Purchase Option Agreement

On August 26, 2024, Guangzhou Uni-Star Interactive, the Registered Shareholders and Chengdu Uni-Star Interactive entered into an exclusive purchase option agreement (the “**Exclusive Purchase Option Agreement**”), pursuant to which each of the Registered Shareholders has irrevocably and unconditionally granted an exclusive option (the “**Exclusive Purchase Option**”) to Guangzhou Uni-Star Interactive which entitles Guangzhou Uni-Star Interactive to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in and/or the relevant assets of Chengdu Uni-Star Interactive, by itself or through its designated person(s).

Pursuant to the Exclusive Purchase Option Agreement, Guangzhou Uni-Star Interactive has the sole discretion to decide when to exercise the Exclusive Purchase Option, and whether to exercise the Exclusive Purchase Option in part or in full, to the extent permitted by the PRC laws. However, in the event where Guangzhou Uni-Star Interactive is permitted under PRC laws to own all or part of the equity interests in Chengdu Uni-Star Interactive, it shall exercise the Exclusive Purchase Option as soon as possible.

The transfer price of the relevant equity interests or assets shall be a nominal price or the minimum purchase price permitted under PRC laws. Where the purchase price is not nil, each of the Registered Shareholders and Chengdu Uni-Star Interactive undertakes that it will, subject to the then applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Guangzhou Uni-Star Interactive or its designated person(s).

The Registered Shareholders and Chengdu Uni-Star Interactive have undertaken jointly and severally, among other things, that:

- (1) without Guangzhou Uni-Star Interactive’s prior written consent, the Registered Shareholders shall not transfer, pledge or allow the creation of encumbrance on the equity interests or assets of Chengdu Uni-Star Interactive in favor of any third party and guarantee to be free from any third party claim, except for the pledge under the Equity Pledge Agreements (as defined below) and the changes in registered capital as a result of the Reorganization;
- (2) without Guangzhou Uni-Star Interactive’s prior written consent, they shall not supplement, alter or amend the articles of association of Chengdu Uni-Star Interactive in any manner, or increase or reduce the registered capital of Chengdu Uni-Star Interactive (except for the changes in registered capital as a result of the Reorganization);
- (3) without Guangzhou Uni-Star Interactive’s prior written consent, enter into any material contract, terminate any existing material contract, enter into any contract, which contradicts existing material contracts;

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## CONTRACTUAL ARRANGEMENTS

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- (4) without Guangzhou Uni-Star Interactive's prior written consent, they shall not appoint or remove any director, supervisor or other management personnel that shall be appointed by the shareholder(s) of Chengdu Uni-Star Interactive;
- (5) they shall maintain the existence of Chengdu Uni-Star Interactive in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits, and conduct Chengdu Uni-Star Interactive's business and affairs prudently and efficiently;
- (6) without Guangzhou Uni-Star Interactive's prior written consent, Chengdu Uni-Star Interactive shall not incur, succeed in, guarantee or permit any indebtedness, or incur significant obligation other than arising in the ordinary course of business;
- (7) without Guangzhou Uni-Star Interactive's prior written consent, Chengdu Uni-Star Interactive shall not in any manner distribute dividends or profit to their shareholders. In the event that the Registered Shareholders receive any profit distribution or dividend from Chengdu Uni-Star Interactive, the Registered Shareholders must pay or transfer such amount to Guangzhou Uni-Star Interactive (or its designated persons(s)); and
- (8) without Guangzhou Uni-Star Interactive's prior written consent, they shall not approve any consolidation or merger with, or acquisition by, any third party, or invest in any person or entity.

Each of the Registered Shareholders has undertaken that it will, subject to applicable PRC laws, return in full the dividend or profit distribution received from Chengdu Uni-Star Interactive to the bank accounts designated by Guangzhou Uni-Star Interactive within three business days.

The Exclusive Purchase Option Agreement shall become effective from the date of execution, and shall remain valid unless Guangzhou Uni-Star Interactive or its designated person(s) exercises the option and has acquired all of the equity interests in Chengdu Uni-Star Interactive.

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## CONTRACTUAL ARRANGEMENTS

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### Powers of Attorney

On August 26, 2024, each of the Registered Shareholders executed a power of attorney (the “**Power of Attorney**”), pursuant to which, each of the Registered Shareholders has irrevocably appointed Guangzhou Uni-Star Interactive, its successor or its designated person(s) as its attorney-in-fact to exercise on its behalf, its rights as a shareholder of Chengdu Uni-Star Interactive, including without limitation:

- (1) to attend shareholders’ meetings of Chengdu Uni-Star Interactive;
- (2) to represent the Registered Shareholders in voting on all matters required to be discussed and resolved at shareholders’ meetings;
- (3) to propose the convening shareholders’ meetings;
- (4) to exercise all shareholders’ voting rights in accordance with applicable PRC Laws;
- (5) to represent the Registered Shareholders in executing and delivering any written resolution and minutes as a shareholder, approving amendment to Chengdu Uni-Star Interactive’s articles of association and other documents to be filed or registered with the relevant governmental authorities or registrar of companies;
- (6) to file a lawsuit or take other legal actions against the legal representative, directors, supervisors, general manager and other senior management personnel of Chengdu Uni-Star Interactive in the event that the behavior of such personnel damages the interests of Chengdu Uni-Star Interactive or its shareholders;
- (7) to sub-delegate and may sub-entrust the handling of the aforesaid matters to others and without giving prior notice to or obtaining the consent of the Registered Shareholders;
- (8) in the event of a dissolution or liquidation of Chengdu Uni-Star Interactive, to exercise the voting rights and acquire all the residual assets attributable to the Registered Shareholders;
- (9) to exercise the shareholder’s rights of disposing Chengdu Uni-Star Interactive’s assets in accordance with applicable laws, including but not limited to the right to manage Chengdu Uni-Star Interactive’s asset-related business, withdraw Chengdu Uni-Star Interactive’s income and acquire Chengdu Uni-Star Interactive’s assets; and
- (10) all other rights as a shareholder (including but not limited to the rights under applicable laws and regulations of the PRC, and articles of association of Chengdu Uni-Star Interactive).

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## CONTRACTUAL ARRANGEMENTS

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Each Power of Attorney shall become effective on the date of execution. Guangzhou Uni-Star Interactive has the right to assign or transfer the powers granted under each Power of Attorney without the Registered Shareholders’ consent.

### **Equity Pledge Agreements**

On August 26, 2024, each of the Registered Shareholders entered into an equity pledge agreement with Guangzhou Uni-Star Interactive and Chengdu Uni-Star Interactive (collectively, the “**Equity Pledge Agreements**”), pursuant to which the Registered Shareholders have agreed to pledge all of their respective equity interests in Chengdu Uni-Star Interactive to Guangzhou Uni-Star Interactive to secure the performance of all their obligations under the Exclusive Service and Business Cooperation Agreement, the Exclusive Purchase Option Agreement and each Power of Attorney underlying the Contractual Arrangements.

Should an event of default (as provided in the Equity Pledge Agreements) occur, unless it is successfully resolved within ten days upon the occurrence of such default, Guangzhou Uni-Star Interactive may demand that the Registered Shareholders immediately pay all outstanding payments due under the Contractual Arrangements, repay any loans and make all other payments due to Guangzhou Uni-Star Interactive.

Without Guangzhou Uni-Star Interactive’s prior written consent, the Registered Shareholders shall not transfer, or create any other pledge or encumbrance over, the pledged equity interests that may affect the rights and interests of Guangzhou Uni-Star Interactive.

The Equity Pledge Agreements will not terminate until (i) all obligations under the Equity Pledge Agreements are satisfied in full and (ii) all the secured debts have been repaid.

The pledges of the equity interests in Chengdu Uni-Star Interactive held by the Registered Shareholders take effect upon completion of registration with the relevant administration for market regulations, and such pledges [have been] registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

### **Confirmations from the Relevant Individual Shareholders**

On August 26, 2024, each of Mr. Guo and Ms. Guo executed an irrevocable undertaking, pursuant to which each of them has undertaken to our Company, Guangzhou Uni-Star Interactive, Chengdu Uni-Star Interactive, Chengdu Liangyan, Chengdu Yicai and Chengdu Beiyu that in the event of among others, death, loss of capacity, divorce, bankruptcy or any other circumstances regarding the Registered Shareholders which may affect the exercise of his/her equity interests in Chengdu Uni-Star Interactive, his/her successor, guardian, creditor, spouse (if applicable) and any other person/entity which may as a result of the above events obtain the equity interests or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

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## CONTRACTUAL ARRANGEMENTS

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### **Spouse Undertakings**

On August 26, 2024, the spouse of Mr. Guo executed an irrevocable undertaking, pursuant to which she expressly acknowledged and undertook that, among others, (i) she will not, on the basis of joint marital property rights, make any hindrance to any disposition of the respective Registered Shareholder make under the Contractual Arrangements and make any claim against such disposition (including but not limited to bringing an action or arbitration in any court or arbitral tribunal of competent jurisdiction under any applicable law); and (ii) she will not take any measures that are in conflict with the Contractual Arrangements.

The spouse of Mr. Guo further undertook that should she by any reason hold any equity interests in Chengdu Uni-Star Interactive, she will be bound by, as amended from time to time, the Exclusive Service and Business Cooperation Agreement, the Exclusive Purchase Option Agreement, the Equity Pledge Agreements and the Powers of Attorney. She undertook to comply with the obligations of Chengdu Uni-Star Interactive's shareholders as set out in the aforementioned agreements, and for this purpose, to execute agreements on substantially similar terms as the aforementioned agreements upon Guangzhou Uni-Star Interactive's request.

### **Common Terms of the Contractual Arrangements**

#### ***Dispute Resolution***

Each of the agreements underlying the Contractual Arrangements contains a dispute resolution provision, pursuant to which in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Guangzhou Arbitration Commission for arbitration in accordance with its then effective rules of arbitration. The language used for arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. Prior to the final award, the arbitral tribunal shall have the power to grant Guangzhou Uni-Star Interactive with appropriate legal remedies, including relevant remedies over the shares or assets of Chengdu Uni-Star Interactive or the Consolidated Affiliated Entities, injunction relief and winding-up order of Chengdu Uni-Star Interactive or the Consolidated Affiliated Entities. Competent courts (including the courts of China, Hong Kong, the Cayman Islands and the other applicable jurisdictions) have the power to grant interim remedies (such as injunctive relief) before the formation of the arbitral tribunal or in other appropriate cases.

However, our PRC Legal Advisers have advised that the dispute resolution provisions above may not be enforceable under PRC laws and regulations. For instance, an arbitral tribunal has no power to grant such injunctive relief or winding-up order under current PRC laws and regulations. In addition, interim remedies granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

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## CONTRACTUAL ARRANGEMENTS

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As a result of the above, in the event that the Consolidated Affiliated Entities or the Registered Shareholders breach any terms of the agreements underlying the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert full effective control over our Consolidated Affiliated Entities and conduct the Relevant Businesses may be materially and adversely affected. For details, see “Risk Factors — Risks Related to Our Contractual Arrangements” in this document.

### *Succession*

The provisions set out in the Contractual Arrangements are also binding on any successor of the Registered Shareholders as if such successor was a signing party to the Contractual Arrangements. As such, any breach by a successor of the Registered Shareholders would be deemed to be in breach of the Contractual Arrangements. In such case, Guangzhou Uni-Star Interactive is entitled to enforce its rights against such successor of the Registered Shareholders.

In the event of incapacity, bankruptcy or other circumstances which may affect a Registered Shareholder’s holding of Chengdu Uni-Star Interactive’s equity interests, such Registered Shareholder’s successor, transferee, creditor or any other person who obtains Chengdu Uni-Star Interactive’s equity interests or related rights due to such event shall be regarded as a signing party to, and be bound by, those agreements.

Based on the foregoing, our PRC Legal Advisers are of the view that (i) the Contractual Arrangements provide protection to our Group even in the event of loss of capacity, death, bankruptcy (if applicable) or divorce of the Registered Shareholders; and (ii) the loss of capacity, death, bankruptcy (if applicable) or divorce of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and Guangzhou Uni-Star Interactive may enforce its rights under the Contractual Arrangements against the successor(s) of the Registered Shareholders.

### *Conflicts of Interest*

Under each Power of Attorney, each of the Registered Shareholders undertakes that, during the period that the Contractual Arrangements remain effective, it shall not take or omit to take any action which may lead to a conflict of interest with Guangzhou Uni-Star Interactive or its direct or indirect shareholders. If there is any conflict of interest, Guangzhou Uni-Star Interactive shall have the right to decide at its sole discretion on how to deal with such conflict of interest in accordance with applicable PRC laws. The Registered Shareholders will unconditionally follow the instructions of Guangzhou Uni-Star Interactive to take any action to eliminate such conflicts of interest.



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## CONTRACTUAL ARRANGEMENTS

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### *Loss Sharing*

Under relevant PRC laws and regulations, none of our Company or Guangzhou Uni-Star Interactive is legally required to share the losses of, or provide financial support to, the Consolidated Affiliated Entities. Further, each of the Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with its assets and properties.

Despite the above, our business, financial position and results of operations would be adversely affected if any Consolidated Affiliated Entity suffers losses given that our Group conducts the Relevant Businesses through the Consolidated Affiliated Entities, and that the Consolidated Affiliated Entities’ financial position and results of operations are consolidated into our financial statements under applicable accounting principles.

### *Liquidation*

Pursuant to the Exclusive Service and Business Cooperation Agreement and Exclusive Purchase Option Agreement, in the event of a dissolution or liquidation of any Consolidated Affiliated Entity, such Consolidated Affiliated Entity and the Registered Shareholders shall, to the extent permitted by the PRC laws, procure the persons recommended by Guangzhou Uni-Star Interactive to establish a liquidation committee for such Consolidated Affiliated Entity to manage the assets of such Consolidated Affiliated Entity.

The Registered Shareholders shall transfer all the residual assets which are attributable to the Registered Shareholders under PRC laws and regulations to Guangzhou Uni-Star Interactive or its designated person(s) to the extent permitted by the PRC laws.

### *Termination*

Pursuant to the Contractual Arrangements, Guangzhou Uni-Star Interactive has the unilateral right to terminate the agreements under the Contractual Arrangements at any time by providing written notice to the Registered Shareholders and/or Chengdu Uni-Star Interactive. The Contractual Arrangements shall terminate once Guangzhou Uni-Star Interactive holds the entire equity interests in Chengdu Uni-Star Interactive and/or the entire assets of Chengdu Uni-Star Interactive pursuant to the Contractual Arrangements.

### *Insurance*

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

### **Company’s Confirmation**

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC government authorities in operating the Relevant Businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

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## CONTRACTUAL ARRANGEMENTS

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### **Circumstances Under Which We Will Adjust or Unwind the Contractual Arrangements**

We will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible, and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the relevant licenses made by sino-foreign joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

### **ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS**

Under the Exclusive Service and Business Cooperation Agreement, the Consolidated Affiliated Entities shall pay service fees to Guangzhou Uni-Star Interactive in consideration of the services provided by Guangzhou Uni-Star Interactive. Such service fees shall be an amount equal to the total revenue of the Consolidated Affiliated Entities after deducting costs, expenses, taxes and payments to be reserved or withheld as required by applicable laws, and shall be subject to Guangzhou Uni-Star Interactive’s adjustment at its sole discretion based on various factors related to the services. Guangzhou Uni-Star Interactive may, at its sole discretion, determine the payment schedule. Accordingly, Guangzhou Uni-Star Interactive may, at its sole discretion, extract all of the economic benefit of the Consolidated Affiliated Entities through the Exclusive Service and Business Cooperation Agreement.

In addition, under the Exclusive Purchase Option Agreement, Guangzhou Uni-Star Interactive has absolute contractual control over the distribution of dividends or any other amounts to the shareholders of the Consolidated Affiliated Entities as Guangzhou Uni-Star Interactive’s prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from the Consolidated Affiliated Entities, the Registered Shareholders must pay or transfer all of such amount to Guangzhou Uni-Star Interactive or its designated person(s) within three business days.

As a result of the Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entities through Guangzhou Uni-Star Interactive. Accordingly, the Consolidated Affiliated Entities’ results of operations, assets, liabilities and cash flows are consolidated into our Company’s financial statements during the Track Record Period as if they were subsidiaries of our Company. For details of the Consolidated Affiliated Entities, see Note 1 to the Accountants’ Report in this document.

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## CONTRACTUAL ARRANGEMENTS

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### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

#### “Narrowly-tailored” requirements for the Contractual Arrangements

By entering into the Contractual Arrangements, the Relevant Businesses subject to foreign investment restriction and/or prohibition according to the Negative List are only carried out by our Consolidated Affiliated Entities. As of the Latest Practicable Date, each of the Consolidated Affiliated Entities held a valid ICP License. As confirmed by our PRC Advisor, online games operation business, according to the Internet Culture Measures, constitute an “internet cultural activity” where foreign ownership is prohibited pursuant to the Negative List. We can only conduct Relevant Businesses through our Consolidated Affiliated Entities; and as of the Latest Practicable Date, companies with business which are not subject to any foreign investment restrictions or prohibitions in the PRC, namely Guangzhou Uni-Star Interactive, Shanghai Qianwanlang and Shanghai Xuangan, are held indirectly by our Company such that the Contractual Arrangements are, and will continue to remain, narrowly tailored under the current PRC laws and regulations.

The Contractual Arrangements are used to enable our Group to conduct the Relevant Businesses that are subject to foreign investment restrictions and/or prohibitions in the PRC. Based on the above, we are of the view that the Contractual Arrangements were narrowly tailored to minimize the potential conflict with the relevant PRC laws and regulations as of the Latest Practicable Date.

#### GAPP Notice

On September 28, 2009, the GAPP, the National Copyright Administration and the Office of the National Working Group for Crackdown on Pornographic and Illegal Publications promulgated “The Notice Regarding the Consistent Implementation of the Regulation on Three Provisions” of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋, 進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知) (the “GAPP Notice”). The GAPP Notice provides, among other things, that foreign investors are not permitted to invest or engage in online game operations in the PRC through sole proprietorship, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual agreements or providing technical support. Serious violation of the GAPP Notice will result in the suspension or revocation of relevant licenses and registrations.

Notwithstanding the foregoing, the PRC Legal Advisers and the PRC legal adviser of the Sole Sponsor conducted interviews with or obtained confirmation from relevant competent authorities, Sichuan Provincial Press and Publication Bureau and Shanghai Press and Publication Bureau, (collectively, the “Relevant Competent Authorities”), on February 24,

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## CONTRACTUAL ARRANGEMENTS

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2025 and February 20, 2025, respectively, which provided confirmations that the Contractual Arrangements are not subject to any approvals from the Relevant Competent Authorities. The Relevant Competent Authorities did not express any objection to the Contractual Arrangements. Our PRC Legal Advisers are of the view that, (i) the Relevant Competent Authorities are competent government authority for such Consolidated Affiliated Entities that are engaged in online game operations; and (ii) the relevant departments which gave the aforementioned confirmations in the interviews have the authority to give such confirmations on behalf of the Relevant Competent Authorities.

### **Legality of the agreements underlying the Contractual Arrangements**

We believe that the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisers have advised that, upon execution of the Contractual Arrangements:

- (1) each of the agreements comprising the Contractual Arrangements is valid, legal and binding under the PRC laws, except for the following provisions regarding dispute resolution and the liquidation committee:
  - (i) the Contractual Arrangements provide that any dispute shall be submitted to the Guangzhou Arbitration Commission for arbitration, in accordance with the then effective rules of arbitration. The Contractual Arrangements also provide that the arbitral tribunal have the power to grant Guangzhou Uni-Star Interactive with appropriate legal remedies, including relevant remedies over the shares or assets of Chengdu Uni-Star Interactive or the Consolidated Affiliated Entities, injunction relief, and winding-up order of Chengdu Uni-Star Interactive or the Consolidated Affiliated Entities. Competent courts (including the courts of China, Hong Kong, the Cayman Islands and the other applicable jurisdictions) have the power to grant interim remedies (such as injunctive relief) before the formation of the arbitral tribunal or in other appropriate cases. However, our PRC Legal Advisers have advised that the dispute resolution provisions above may not be enforceable under the PRC laws and regulations and 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. For details, see “ — Summary of Material Terms of the Contractual Arrangements — Common Terms of the Contractual Arrangements — Dispute Resolution” in this section;

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## CONTRACTUAL ARRANGEMENTS

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- (ii) the Contractual Arrangements provide that the Registered Shareholders have appoint the person designated by Guangzhou Uni-Star Interactive to exercise on their behalf voting rights on the liquidation of Chengdu Uni-Star Interactive, which means that the Registered Shareholders undertake to appoint a committee designated by our Guangzhou Uni-Star Interactive as the liquidation committee upon the winding-up of Chengdu Uni-Star Interactive to manage their assets. However, in the event of a mandatory liquidation required by PRC laws, these provisions may not be enforceable under PRC Laws.
- (2) parties to the agreements comprising the Contractual Arrangements have the power and capacity to execute the agreements and perform their respective obligations thereunder. Each of the agreements comprising the Contractual Arrangements is binding on the parties thereto, and none of such agreements violates the provisions of "violating any mandatory provisions of laws or administrative regulations", "malicious collusion is conducted to damage others' legitimate rights and interests" or "false declaration of intention" as stipulated in the Civil Code of the PRC;
- (3) none of the Contractual Arrangements violates any provisions of the articles of association of Chengdu Uni-Star Interactive or Guangzhou Uni-Star Interactive;
- (4) all required approvals, authorizations or consents from the PRC governmental authorities for the execution, delivery, effect and implementation of each of agreements comprising the Contractual Arrangements have been obtained, and such approvals, authorizations or consents continue to be in effect, except that:
  - (i) any share pledge contemplated under the Equity Pledge Agreements are subject to the registration with the local administration for market regulations;
  - (ii) the disposal of any share pledged under the Equity Pledge Agreements are subject to the approvals and/or registration with the PRC regulatory authority;
  - (iii) the exercise of the options to acquire the equity interests or assets under the Exclusive Purchase Option Agreement in the future is subject to the relevant approvals, registration or filings with the PRC regulatory authorities as applicable; and
  - (iv) the arbitral awards or injunctive remedies provided under the dispute resolution provisions under the Contractual Arrangements shall be recognized by PRC courts before these awards or remedies can be proceeded.

However, we have been advised by our PRC Legal Advisers that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, 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 of our PRC Legal Advisers.

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## CONTRACTUAL ARRANGEMENTS

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Based on the above analysis and advice from our PRC Legal Advisers, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under applicable PRC laws and regulations. For details, see “Risk Factors — Risks Related to Our Contractual Arrangements” in this document.

### DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN THE PRC

#### The Foreign Investment Law

The Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the “**FIL**”) came into force on January 1, 2020. The FIL replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. The Implementation Rules of the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) (the “**FIL Implementing Regulations**”) came into force on January 1, 2020. For details, see “Regulatory Overview — Regulations Relating to Foreign Investment” in this document.

#### Impact of the FIL

Conducting operations through contractual arrangements has been adopted by many PRC-based companies (including us) to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in the PRC. The FIL does not explicitly prohibit or restrict a foreign investor to adopt contractual arrangements to control its business that is subject to foreign investment restrictions in the PRC. 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 abovementioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the Relevant Businesses will not be materially and adversely affected in the future due to changes in PRC laws and regulations. For details, see “Risk Factors — Risks Related to Our Contractual Arrangements” in this document.

### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of the Relevant Businesses with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussions on an occurrence basis;

## CONTRACTUAL ARRANGEMENTS

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- (b) our Board will review the overall performance of, and compliance with, the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of, and compliance with, the Contractual Arrangements in our annual reports after the [REDACTED]; and
- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist our Board with reviewing the implementation of the Contractual Arrangements, and review the compliance of Chengdu Uni-Star Interactive and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Based on the above, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be ineffective or invalid under applicable PRC laws and regulations. For details, see “Risk Factors — Risks Related to Our Contractual Arrangements” in this document.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and conduct of our business.

The table below sets out certain information in respect of the members of the Board.

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Role and responsibility	Relationship with other Directors or senior management
Ms. Guo Xiaolan (郭小蘭)	47	Chairperson of our Board, executive Director and chief executive officer	November 24, 2022	December 1, 2017	Supervising and overseeing the management of operations, game development and strategic planning of our Group	None
Ms. Li Song (李松)	37	Executive Director and chief financial officer	September 20, 2023	July 1, 2022	Overseeing the business development and capital markets operations of our Group	None
Mr. Liang Haijian (梁海健)	36	Executive Director and vice president	February 24, 2025	April 17, 2018	Overseeing the game R&D of our Group	None
Ms. Zhu Haixia (朱海霞)	38	Executive Director, vice president and joint company secretary	September 20, 2023	December 25, 2019	Overseeing the human resources management and administrative operations of our Group	None



## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Role and responsibility	Relationship with other Directors or senior management
Dr. Wang Yong (王勇)	58	Independent non-executive Director	August 22, 2024 (effective from the [REDACTED])	[REDACTED]	Supervising and providing independent judgment to our Board	None
Dr. Zhu Wuxiang (朱武祥)	59	Independent non-executive Director	August 22, 2024 (effective from the [REDACTED])	[REDACTED]	Supervising and providing independent judgment to our Board	None
Mr. Chen Aiwen (陳愛文)	61	Independent non-executive Director	August 22, 2024 (effective from the [REDACTED])	[REDACTED]	Supervising and providing independent judgment to our Board	None

The following sets forth the biographies of our Directors.

### Executive Directors

**Ms. Guo Xiaolan (郭小蘭)**, aged 47, is the chairperson of our Board, executive Director and chief executive officer. Ms. Guo joined our Group as the chief executive officer of Chengdu Uni-Star Interactive in December 2017, and was appointed as a Director on November 24, 2022. She was re-designated as an executive Director and appointed as the chairperson of our Board on September 20, 2023. She was further appointed as the chief executive officer of our Company on August 22, 2024. Ms. Guo is currently the chief executive officer of Chengdu Uni-Star Interactive. She is responsible for supervising and overseeing the management of operations, game development and strategic planning of our Group. Ms. Guo has over 15 years of experience in business management.

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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Guo has been serving as general manager of Sichuan Shen Yu Hui Ju Technology Co., Ltd. (四川神宇匯聚科技有限公司), a company principally engaged in telecommunications, since January 2006, where she has been primarily responsible for the overall management of daily operation of the company. She was a deputy general manager of Chengdu Mengwang Digital Technology Co., Ltd. (成都夢網數碼科技有限公司), a company principally engaged in the telecommunications value-added services, from April 2004 to May 2013.

Ms. Guo obtained her bachelor’s degree in Chinese language and literature from Sichuan Normal University (四川師範大學) in the PRC in June 1998.

Ms. Guo is the daughter of Mr. Guo, one of the Controlling Shareholders.

**Ms. Li Song (李松)**, aged 37, joined our Group as the financial controller at Chengdu Uni-Star Interactive in July 2022, and was appointed as an executive Director on September 20, 2023 and the chief financial officer of our Company on August 22, 2024. Ms. Li is currently a financial controller of certain operating entities of our Group, including Guangzhou Uni-Star Interactive, Shanghai Qunong Network Technology Co., Ltd. (上海趣農網絡科技有限公司), Shanghai Xuangan. She is responsible for overseeing the business development and capital markets operations of our Group. Ms. Li has over 13 years of experience in accounting and finance.

Prior to joining our Group, she worked and last served as the senior manager at Ernst & Young Hua Ming LLP (安永華明會計師事務所) from October 2010 to June 2022, where she was primarily responsible for auditing projects.

Ms. Li obtained her bachelor’s degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2010. She has been certified as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since December 2014.

**Mr. Liang Haijian (梁海健)**, aged 36, joined our Group as a manager for R&D department at Chengdu Uni-Star Interactive in April 2018, and was appointed as an executive Director and a vice president of our Company on February 24, 2025. He is responsible for overseeing the game R&D of our Group. Mr. Liang has approximately thirteen years of experience in the gaming industries.

Prior to joining our Group, Mr. Liang work at Guangzhou Tianxi Information Technology Co., Ltd. (廣州天息軟件科技有限公司), an internet game company, from July 2017 to March 2018. He work at Guangzhou Yaowan Entertainment Technology Co., Ltd. (廣州要玩娛樂網絡技術股份有限公司), an internet game company, from November 2015 to June 2017. He work at Guangzhou Ruiwan Information Technology Co., Ltd. (廣州瑞玩信息科技有限公司), an internet game company, from August 2014 to August 2015. Mr. Liang work at Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司), an internet game company, from July 2011 to July 2014.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Liang obtained his bachelor’s degree in network engineering from Guangdong University of Technology (廣東工業大學) in the PRC in June 2011.

**Ms. Zhu Haixia (朱海霞)**, aged 38, joined our Group as the human resources director of Chengdu Uni-Star Interactive in December 2019, and was appointed as an executive Director on September 20, 2023. She was further appointed as a vice president and joint company secretary of our Company on August 22, 2024. She is responsible for overseeing the human resources management and administrative operations of our Group. Ms. Zhu has more than 11 years of experience in human resources management.

Prior to joining our Group, Ms. Zhu was a human resources manager at Guangzhou Changyue Network Technology Co., Ltd. (廣州暢悅網絡科技有限公司), a video game development and publishing company, from March 2017 to September 2019, where she was primarily responsible for the human resources and administrative affairs. She was a human resources manager at Guangzhou Chuanli Technology Communication Co., Ltd. (廣州市傳力科技傳播有限公司), a media company, from November 2010 to February 2017 where she was primarily responsible for the human resources and administrative affairs.

Ms. Zhu obtained a college degree in marketing from Software Engineering Institute of Guangzhou (廣州軟件學院) (formerly known as South China Institute of Software Engineering of Guangzhou University (廣州大學華軟軟件學院)) in the PRC in June 2009. She is currently studying part-time accounting courses at Guangdong University of Foreign Studies (廣東外語外貿大學).

### Independent Non-Executive Directors

**Dr. Wang Yong (王勇)**, aged 58, was appointed as our independent non-executive Director on August 22, 2024 with his appointment taking effect from the [REDACTED]. He is responsible for supervising and providing independent judgment to our Board. Dr. Wang has more than 20 years of experience in project management.

Dr. Wang has successively held several positions at the EMBA Center of Tsinghua University School of Economics and Management (清華大學經濟管理學院EMBA教育中心), including as the dean’s assistant, the director of the senior management education center and the director of the entrepreneurial scholars program, since September 2002, where he has been primarily responsible for project management.

Besides, Dr. Wang served or has served as an independent non-executive director of three companies listed on the Stock Exchange, Shanghai Stock Exchange and/or the Shenzhen Stock Exchange: (i) Yunnan Copper Co., Ltd. (雲南銅業股份有限公司) (stock code: 000878.SZ), a copper producer, since April 2020; (ii) Everbright Securities Company Limited (光大證券股份有限公司) (stock codes: 6178.HK and 601788.SH), a financial services and wealth management institution, from November 2018 to May 2024; and (iii) Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司) (stock code: 1526.HK), a private general medical services group, since June 2016.

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## DIRECTORS AND SENIOR MANAGEMENT

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Dr. Wang obtained his bachelor’s degree in hydraulic machinery from Huazhong University of Science and Engineering (華中理工大學) (currently known as Huazhong University of Science and Technology (華中科技大學)) in the PRC in July 1988. He further obtained his master’s degree in business administration and doctor’s degree in business administration, both from Tsinghua University (清華大學) in the PRC, through part-time studies, in January 2001 and January 2009, respectively. He has also been certified as a senior engineer by the China Institute of Water Resources and Hydropower Research (中國水利水電科學研究院) since February 1998.

**Dr. Zhu Wuxiang (朱武祥)**, aged 59, was appointed as our independent non-executive Director on August 22, 2024 with his appointment taking effect from the [REDACTED]. He is responsible for supervising and providing independent judgment to our Board. Dr. Zhu has more than 30 years of experience in economics and business management.

Dr. Zhu has been served as a professor at Tsinghua University School of Economics and Management (清華大學經濟管理學院) since 2002. He specializes in research on development economics, corporate finance and business models.

Besides, Dr. Zhu served or has served as an independent non-executive director or independent director of six companies listed on the Stock Exchange, Shanghai Stock Exchange or the Shenzhen Stock Exchange in past three years: (i) as an independent director of Asia-Potash International Investment (Guangzhou) Co., Ltd. (亞鉀國際投資(廣州)股份有限公司) (stock code: 000893.SZ), a potassium salt mining enterprise, since July 2022; (ii) as an independent non-executive director of Colour Life Services Group Co., Limited (彩生活服務集團有限公司) (stock code: 1778.HK), a property management company, from March 2021 to September 2023; (iii) as an independent non-executive director of Beijing Properties (Holdings) Limited (北京建設(控股)有限公司) (stock code: 925.HK), a property developer, from January 2011 to November 2023; (iv) as an independent director of Pylon Technologies Co., Ltd. (上海派能能源科技股份有限公司) (stock code: 688063.SH), a battery energy storage system provider, from October 2019 to October 2022; (v) as an independent non-executive director of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (stock code: 1359.HK), an asset management company, from June 2016 to September 2022; and (vi) as an independent director of Visual China Group Co., Ltd. (視覺(中國)文化發展股份有限公司) (formerly known as Far East Industrial Stock Co., Ltd. (遠東實業股份有限公司)) (stock code: 000681.SZ), an image and media footage provider, from October 2018 to June 2022.

Dr. Zhu obtained his bachelor’s degree in management information systems, his master’s degree in engineering economics and his doctor’s degree in quantitative economics, all from Tsinghua University (清華大學) in the PRC, in July 1987, December 1989 and January 2003, respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Chen Aiwen (陳愛文)**, aged 61, was appointed as our independent non-executive Director on August 22, 2024 with his appointment taking effect from the [REDACTED]. He is responsible for supervising and providing independent judgment to our Board.

Mr. Chen has extensive experience in investment management. He also served as a director at Beijing MingRui Hengfeng Management & Consulting Co., Ltd. (北京明銳恆豐管理諮詢有限公司), a private equity firm, from August 2020 to July 2022, where he was primarily responsible for post-investment project management. He was the chief representative of a subsidiary of Beijing Rui Kai Tian Cheng Investment Consulting Co., Ltd. (北京瑞凱天成投資諮詢有限公司), a private equity firm, from July 2012 to July 2020, where he was primarily responsible for investment project management.

Mr. Chen also has extensive experience in corporate finance, corporate governance and compliance. He worked and last served as a division director at the Hunan Regulatory Bureau of the China Securities Regulatory Commission (中國證監會湖南監管局), from June 2003 to January 2008, where he was primarily responsible for supervision and inspection of listed companies.

Besides, Mr. Chen served or has served as an independent director of four companies listed on the Shenzhen Stock Exchange, including: (i) Guangdong Yussen Energy Technology Co., Ltd. (廣東宇新能源科技股份有限公司) (formerly known as Hunan Yussen Energy Technology Co., Ltd. (湖南宇新能源科技股份有限公司)) (stock code: 002986.SZ), a petrochemical manufacturer, since January 2022; (ii) Yueyang Xingchang Petro-chemical Co., Ltd. (岳陽興長石化股份有限公司) (stock code: 000819.SZ), a petrochemical manufacturer, from April 2016 to December 2022; (iii) Syoung Group Co., Ltd. (水羊集團股份有限公司) (stock code: 300740.SZ), a cosmetic and skincare manufacturer, from September 2016 to August 2022; and (iv) Huatian Hotel Group Co., Ltd. (華天酒店集團股份有限公司) (stock code: 000428.SZ), a hotel management company, from November 2014 to August 2021.

Further, he has served as an independent director of Zhongchang Big Data Corporation Limited (中昌大數據股份有限公司) (formerly known as Zhongchang Marine Company Limited (中昌海運股份有限公司)) (“**Zhongchang Data**”), a digital marketing company previously listed on the Shanghai Stock Exchange (stock code: 600242.SH), from July 2022 to April 2023.

Mr. Chen was subject to regulatory warning (監管警示) by the Shanghai Stock Exchange on July 12, 2023 when he was acting as an independent director of Zhongchang Data. The regulatory warning indicating that Zhongchang Data’s estimated results announcement relating to the financial information of the year ended December 31, 2022 and four months ended April 30, 2023 was inaccurate (the “**Regulatory Warning**”).

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## DIRECTORS AND SENIOR MANAGEMENT

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Notwithstanding the Regulatory Warning, the Directors (excluding Mr. Chen Aiwen) are of the opinion that Mr. Chen Aiwen is suitable to act as an independent non-executive Director pursuant to Rules 3.08 and 3.09 of the Listing Rules, having regard to the following reasons:

- (a) as advised by our PRC Legal Advisers, the Regulatory Warning is not an administrative penalty, and Mr. Chen Aiwen did not receive an administrative penalty due to the Regulatory Warning;
- (b) As of the Latest Practicable Date, Mr. Chen Aiwen was not subject to any administrative penalty by the CSRC due to the Regulatory Warning. Based on information available, as of the Latest Practicable Date, there has not been any rulings made by the competent authorities that affect Mr. Chen Aiwen’s suitability to act as an independent non-executive Director of our Company; and
- (c) Mr. Chen Aiwen joined training sessions on the directors’ duties and corporate governance of Hong Kong listed companies, so as to keep abreast of the laws and regulations applicable to Hong Kong listed companies and their directors.

Mr. Chen obtained a college diploma in business economics from Hunan University of Technology and Business (湖南工商大學) (formerly known as Hunan College of Commerce (湖南商業專科學校)) in the PRC in July 1986. He obtained his bachelor’s degree in economics from Hunan Economic Management Cadre College (湖南經濟管理幹部學院) in the PRC in July 1992. He further obtained his master’s degree in trade economics from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 1995. Mr. Chen has been certified as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in the PRC since December 1994.

### General

Our Directors have confirmed that:

- (1) save as disclosed in the paragraph headed “Statutory and General Information — C. Further Information about Our Directors — 2. Particulars of Directors’ Service Contracts and Appointment Letters” in this document, none of our Directors has any existing or proposed service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation);
- (2) save as disclosed in the paragraph headed “Statutory and General Information — C. Further Information about our Directors — 1. Disclosure of Interests” in this document, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (3) save as disclosed in this section, each of our Directors has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as at the Latest Practicable Date;
- (4) save as disclosed in this section, other than being a Director of our Company, none of our Directors has any relationship with any other Directors, senior management of our Company or substantial shareholders of our Company or the Controlling Shareholders; and
- (5) none of our Directors completed their respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

Except as disclosed in this document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries:

- (1) there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention to the Shareholders as of the Latest Practicable Date; and
- (2) there was no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

### **Disclosure pursuant to Rule 3.09D of the Listing Rules**

Each of our Directors confirms that he/she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on August 22, 2024 and February 24, 2025, and (ii) understands his/her obligations as a director of a listed company under the Listing Rules.

### **Disclosure pursuant to Rule 3.13 of the Listing Rules**

Each of the proposed independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to 3.13(8) of the Listing Rules; (ii) he has no past or present financial or other interest in the business of our Company, our subsidiaries or Consolidated Affiliated Entities or any connection with any core connected person (as defined in the Listing Rules) of our Company; and (iii) that there are no other factors that may affect his independence at the time of his appointment as our independent non-executive Directors.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets out certain information in respect of the senior management of the Group.

Name	Age	Position	Date of appointment as senior management	Date of joining our Group	Role and responsibility	Relationship with Directors or other senior management
Ms. Guo Xiaolan (郭小蘭)	47	Chairperson of our Board, executive Director and chief executive officer	December 1, 2017	December 1, 2017	Supervising and overseeing the management of operations, game development and strategic planning of our Group	None
Ms. Li Song (李松)	37	Executive Director and chief financial officer	July 1, 2022	July 1, 2022	Overseeing the business development and capital markets operations of our Group	None
Mr. Liang HaiJian (梁海健)	36	Executive Director and vice president	April 17, 2018	April 17, 2018	Overseeing the game R&D of our Group	None
Ms. Zhu Haixia (朱海霞)	38	Executive Director, vice president and joint company secretary	December 25, 2019	December 25, 2019	Overseeing the human resources management and administrative operations of our Group	None



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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Guo Xiaolan (郭小蘭)**, further details of which are set out in the paragraph headed “ — Board of Directors — Executive Directors” in this section.

**Ms. Li Song (李松)**, further details of which are set out in the paragraph headed “ — Board of Directors — Executive Directors” in this section.

**Mr. Liang HaiJian (梁海健)**, further details of which are set out in the paragraph headed “ — Board of Directors — Executive Directors” in this section.

**Ms. Zhu Haixia (朱海霞)**, further details of which are set out in the paragraph headed “ — Board of Directors — Executive Directors” in this section.

### General

Save as disclosed in this section, each of our senior management members has confirmed that:

- (1) he/she does not hold and has not held any other positions in our Company and any other members of our Group as of the Latest Practicable Date;
- (2) save as being a Director and/or a member of our senior management, he/she does not have any other relationship with any Directors, substantial shareholders of our Company, our Controlling Shareholders or other members of our senior management as of the Latest Practicable Date;
- (3) he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as of the Latest Practicable Date; and
- (4) he/she has not completed his/her education programs as disclosed in this section by way of attendance of long distance learning or online courses.

### JOINT COMPANY SECRETARY

**Ms. Zhu Haixia (朱海霞)** was appointed as one of our joint company secretaries on August 22, 2024, further details of which are set out in the paragraph headed “ — Board of Directors — Executive Directors” in this section.

**Ms. Au Wing Sze (區詠詩)** was appointed as one of our joint company secretaries on August 22, 2024. Ms. Au is an assistant manager of the listing services department of TMF Hong Kong Limited, responsible for providing corporate secretarial and compliance services to listed companies. She has over ten years of experience in the corporate secretarial field. Ms. Au is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She holds a master of corporate governance from Hong Kong Metropolitan University.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws in Hong Kong;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the [REDACTED] and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the [REDACTED] pursuant to the Rule 13.46 of the Listing Rules.

### BOARD COMMITTEES

We have established the following committees on our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board.

#### Audit Committee

Our Company has established an audit committee (effective from the [REDACTED]) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”). The audit committee consists of Mr. Chen Aiwen (陳愛文), Dr. Zhu Wuxiang (朱武祥) and Dr. Wang Yong (王勇), with Mr. Chen Aiwen (陳愛文) serving as the chairperson. Mr. Chen Aiwen (陳愛文) 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 our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Remuneration Committee

Our Company has established a remuneration committee (effective from the [REDACTED]) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of part 2 of the Corporate Governance Code. The remuneration committee consists of Dr. Zhu Wuxiang (朱武祥), Mr. Chen Aiwen (陳愛文) and Ms. Li Song (李松), with Dr. Zhu Wuxiang (朱武祥) serving as the chairperson. The primary duties of the remuneration committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

### Nomination Committee

Our Company has established a nomination committee (effective from the [REDACTED]) with written terms of reference in compliance with paragraph B.3 of part 2 of the Corporate Governance Code. The nomination committee consists of Ms. Guo Xiaolan (郭小蘭), Dr. Zhu Wuxiang (朱武祥) and Mr. Chen Aiwen (陳愛文), with Ms. Guo Xiaolan (郭小蘭) serving as the chairperson. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

## CORPORATE GOVERNANCE

Under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Guo is the chairperson of our Board and our chief executive officer. Having served in our Company since December 2017, Ms. Guo is responsible for supervising and overseeing the management of operations, game development and strategic planning of our Group. Our Board considers that vesting the roles of the chairperson of our Board and the chief executive officer in the same person is beneficial to the management of our Group. Our Board also believes that the combined role of the chairperson of our Board and the chief executive officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and our Board. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. Our Board currently comprises four executive Directors and three independent non-executive Directors and therefore, has a strong independent element in its composition. Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the [REDACTED].

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## DIRECTORS AND SENIOR MANAGEMENT

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### Board Diversity

We [have adopted] a board diversity policy (the “**Board Diversity Policy**”) to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, our nomination committee will consider a range of diversity perspectives with reference to our Company’s business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to game operation, software development, business management, accounting and finance, marketing, human resources management, corporate governance, compliance, economics and investment management. They obtained degrees in various majors including business administration management, marketing, economics, accounting and auditing, literature, management information systems, mechatronics and hydraulic machinery. In addition, we have taken steps to promote and enhance gender diversity at all levels of our Company, and our Board currently comprises three female Directors and four male Directors. Furthermore, our Board has a relatively wide range of ages, ranging from 36 years old to 61 years old. Our Board is of the view that our Board satisfies the Board Diversity Policy.

Our nomination committee is responsible for reviewing the diversity of our Board. After [REDACTED], our nomination committee will continue to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

### COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

### COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company’s contribution to the pension scheme on their behalves. Our Directors’ remuneration is determined with reference to the relevant Director’s experience and qualifications, level of responsibility, performance, time devoted to our business and the prevailing market conditions.

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## DIRECTORS AND SENIOR MANAGEMENT

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The aggregate amounts of remuneration which were paid to our Directors for the three financial years ended December 31, 2022 and 2023 and nine months ended September 30, 2024 were approximately RMB1,804,000, RMB2,808,000, and RMB1,525,000, respectively.

It is estimated that the aggregate amount of remuneration payable to our Directors (including fees, salaries, allowances, benefits in kind, performance-related bonuses and pension scheme contributions) for the financial year ending December 31, 2025 will be approximately RMB3,975,000 under arrangements in force as of the date of this document.

For the three financial years ended December 31, 2022 and 2023 and nine months ended September 2024, there was nil, nil and one Director among the five highest paid individuals, respectively. The aggregate amounts of remuneration which were paid to the five highest paid individuals (excluding Directors and the chief executive officer) for the three financial years ended December 31, 2022, 2023 and 2024 were approximately RMB10,816,000, RMB10,636,000, and RMB4,152,000, respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group, and (iii) none of our Directors waived or agreed to waive any emoluments.

Except as disclosed above, no other payments have been paid, or are payable by our Group to our Directors or the five highest paid individuals during the Track Record Period.

For additional information on Directors’ remuneration during the Track Record Period as well as information on the five highest paid individuals, see Notes 8 and 9 to the Accountants’ Report.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Guo was entitled to exercise voting rights attached to the Shares representing approximately 57.54% of the total issued share capital of our Company through Great Guo HL, Great Guo FHL, Springberg FHL and Sincebloom FHL, and Ms. Guo was entitled to exercise voting rights attached to the Shares representing approximately 33.16% of the total issued share capital of our Company through Orchid Lan HL and Orchid Lan FHL. For further details relating to Great Guo HL, Great Guo FHL, Springberg FHL, Sincebloom FHL, Orchid Lan HL and Orchid Lan FHL, see “History, Reorganization and Corporate Structure — Our Structure Immediately Prior to the [REDACTED]” in this document.

Throughout the Track Record Period and up to the date of this document, Mr. Guo has not held any position in our Group. He has deferred to Ms. Guo pertaining to our Group’s daily operations and has not exercised voting rights in our Company in conflict with Ms. Guo. Upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Guo and Ms. Guo will be collectively entitled to exercise voting rights attached to the Shares representing approximately [REDACTED]% of the total issued share capital of our Company. Therefore, Mr. Guo, Ms. Guo, Great Guo HL, Great Guo FHL, Springberg FHL, Sincebloom FHL, Orchid Lan HL and Orchid Lan FHL will be considered as a group of our Controlling Shareholders upon [REDACTED].

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Controlling Shareholders confirm that, as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates after the [REDACTED].

#### Management Independence

Our Board comprises seven Directors, including four executive Directors and three independent non-executive Directors. We believe that our Board as a whole, together with our senior management, is able to perform the managerial role in our Group independently from our Controlling Shareholders and their close associates for the following considerations:

- (a) each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests;
- (b) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interest of our Group. For details of the experience of our executive Directors and senior management, see “Directors and Senior Management” in this document;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (c) we have appointed three independent non-executive Directors with a view to bringing independent judgment to the decision-making process of our Board;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see “ — Corporate Governance Measures” in this section.

### **Operational Independence**

We are able to make all decisions on, and to carry out, our own business operations independently. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate independently from our Controlling Shareholders and their close associates. Our Company, through our subsidiaries and Consolidated Affiliated Entities, holds the licenses, intellectual property rights and qualifications necessary to carry out our current business. We have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments, and have sufficient capital, facilities, technology and employees to operate our business independently from our Controlling Shareholders. We also have access to third parties independently from our Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors are satisfied that we are able to function and operate independently from our Controlling Shareholders and their close associates.

### **Financial Independence**

We have an independent financial system, and have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company, independent from our Controlling Shareholders. We are able to make financial decisions independently, and neither our Controlling Shareholders nor their close associates intervene with our financial matters. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system.

In addition, we have been and are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their close associates. As of the Latest Practicable Date, there was no loan, advance or guarantee provided by our Controlling Shareholders or their close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their close associates.

### CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following measures to promote good corporate governance and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) under the Articles of Association, where a Shareholders’ meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their close associates has a material interest, the Controlling Shareholders or their close associates will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with applicable Listing Rules;
- (c) our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review, on an annual basis, whether there are any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all necessary information, including all relevant financial, operational and market information, as required by our independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with applicable laws and regulations in Hong Kong as well as the Listing Rules, including various requirements relating to corporate governance during its term of appointment.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].

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## CONNECTED TRANSACTIONS

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### OVERVIEW

Prior to the [REDACTED], our Group has entered into certain transactions with parties who/which will, upon [REDACTED], become connected persons of our Company. Details of the non-exempt continuing connected transactions of our Company following the [REDACTED] are set out below.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — CONTRACTUAL ARRANGEMENTS

#### Background and Principal Terms

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in China, we are engaged in the Relevant Businesses through the Consolidated Affiliated Entities in China. We do not hold any equity interests in the Consolidated Affiliated Entities, but effectively control the Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits through the Contractual Arrangements. For details, see “Contractual Arrangements” in this document.

#### Implications under the Listing Rules

The transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED] as certain Registered Shareholders (being parties to the agreements underlying the Contractual Arrangements) are connected persons of our Company. Mr. Guo (one of our Controlling Shareholders) holds 95% and 50% equity interests in Chengdu Liangyan and Chengdu Yicai, respectively. Ms. Guo (our executive Director and one of our Controlling Shareholders) holds 50% and 90% equity interests in Chengdu Yicai and Chengdu Beiyu, respectively. Therefore, each of Chengdu Liangyan, Chengdu Yicai and Chengdu Beiyu is an associate of Mr. Guo and Ms. Guo, and a connected person of our Company.

The highest applicable percentage ratio under the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements is expected to be more than 5%. As such, these transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

#### Reasons for and Benefits of the Continuing Connected Transactions

Our Directors (including the proposed independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our legal structure and business operations. Our Directors also believe that such structure places our Group in a special position in relation to the rules relating to connected transactions whereby the financial results of the Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries, and substantially all the economic benefits of their business flow to our Group.

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## CONNECTED TRANSACTIONS

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Accordingly, notwithstanding that 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 by, among other things, the Consolidated Affiliated Entities and any member of our Group from time to time (including the Consolidated Affiliated Entities) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements under Chapter 14A of the Listing Rules, including the announcement, circular and independent shareholders’ approval requirements.

### WAIVER IN RELATION TO CONTRACTUAL ARRANGEMENTS

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set a term of three years or less under Rule 14A.52 of the Listing Rules, and (iii) the requirement to set annual caps under Rule 14A.53 of the Listing Rules subject 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 Uni-Star Interactive thereunder) will be made without the approval of our independent non-executive Directors.
- (b) **No change without independent Shareholders’ approval.** No change to the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.
- (c) **Economic benefits and flexibility.** The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group’s options (if and when so allowed under applicable PRC laws) to acquire, all or part of the equity interests in Chengdu Uni-Star Interactive for nil consideration or the minimum amount of consideration permitted by applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Guangzhou Uni-Star Interactive by Chengdu Uni-Star Interactive under the Contractual Arrangements, and (iii) our Group’s right to control the management and operation of, as well as, in substance, a substantial portion of the voting rights of the Consolidated Affiliated Entities.

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## CONNECTED TRANSACTIONS

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- (d) **Renewal and reproduction.** On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between (1) our Company and the subsidiaries in which our Company has direct shareholding and (2) Chengdu Uni-Star Interactive and other Consolidated Affiliated Entities, this framework may be renewed and/or reproduced without an announcement and/or circular, or obtaining the approval of our Shareholders, (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly-foreign-owned enterprise or operating company (including branch company) engaged in a business similar or relating to those of our Group.

The directors, chief executive or substantial shareholders of any existing, new or acquired wholly-foreign-owned enterprise or operating company (including branch company) engaged in a business similar or relating to those of our Group will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group, and transactions between such connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

This condition is subject to relevant PRC laws, regulations and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as those under the existing Contractual Arrangements.

- (e) **Ongoing reporting and approvals.** We will disclose details relating to the Contractual Arrangements on an ongoing basis, including:
- (i) the Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules;
  - (ii) our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report that for the relevant year (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividend or other distribution has been made by the Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;

## CONNECTED TRANSACTIONS

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- (iii) our Company’s auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors, confirming that the transactions have been approved by our Board and have been entered into in accordance with the relevant Contractual Arrangements, and no dividend or other distribution has been made by the Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to our Group;
- (iv) 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 our Company’s 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 our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves) and therefore, the transactions between such connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to the applicable requirements under Chapter 14A of the Listing Rules; and
- (v) the Consolidated Affiliated Entities will, for so long as our Shares are [REDACTED] on the Stock Exchange, provide our Group’s management and our Company’s auditors with full access to their relevant records for the purpose of the review by our Company’s auditors of the continuing connected transactions.

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## CONNECTED TRANSACTIONS

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### CONFIRMATIONS

#### **Confirmation from the Directors**

Our Directors (including proposed independent non-executive Directors) are of the view that (i) the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) it is normal business practice for the relevant agreements underlying the Contractual Arrangements to be of a term longer than three years.

With respect to the term of the relevant agreements under the Contractual Arrangements which is of a duration longer than three years, our Directors are also of the view that it is justifiable and normal business practice to ensure that (i) the financials and operation of the Consolidated Affiliated Entities can be effectively controlled by Guangzhou Uni-Star Interactive, (ii) Guangzhou Uni-Star Interactive can obtain economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakage of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

#### **Confirmation from the Sole Sponsor**

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with our management and the PRC Legal Advisers. Based on the above, the Sole Sponsor is of the view that the agreements constituting Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations and that the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable as far as our Group is concerned and are in the interests of our Company and our Shareholders as a whole.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the [REDACTED] under the provisions of [REDACTED] of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/nature of interest	Number of Shares held as of the date of this document <sup>(1)</sup>	Approximate percentage of shareholding in the total issued share capital of our Company as of the date of this document (%)	Number of Shares held immediately following completion of the [REDACTED]	Approximate percentage of shareholding in the total issued share capital of our Company immediately following completion of the [REDACTED] <sup>(2)</sup> (%)
TMF (Cayman) Ltd. <sup>(3)(4)</sup>	Trustee	463,330,000	90.70	[REDACTED]	[REDACTED]
Mr. Guo <sup>(3)</sup>	Interests in controlled corporations	293,912,500	57.54	[REDACTED]	[REDACTED]
Great Guo HL <sup>(3)</sup>	Interests in controlled corporations	293,912,500	57.54	[REDACTED]	[REDACTED]
Great Guo FHL <sup>(3)</sup>	Beneficial owner	258,153,700	50.54	[REDACTED]	[REDACTED]
Shining Core International Group Limited <sup>(3)</sup>	Interests in controlled corporations	258,153,700	50.54	[REDACTED]	[REDACTED]
Sincebloom FHL <sup>(3)</sup>	Beneficial owner	20,433,600	4.00	[REDACTED]	[REDACTED]
Galaxy-Shining Group Limited <sup>(3)</sup>	Interests in controlled corporations	20,433,600	4.00	[REDACTED]	[REDACTED]
Springberg FHL <sup>(3)</sup>	Beneficial owner	15,325,200	3.00	[REDACTED]	[REDACTED]
Uni-Sparkle Group Limited <sup>(3)</sup>	Interests in controlled corporations	15,325,200	3.00	[REDACTED]	[REDACTED]
Orchid Lan FHL <sup>(4)</sup>	Beneficial owner	169,417,500	33.16	[REDACTED]	[REDACTED]
Ms. Guo <sup>(4)</sup>	Interests in controlled corporations	169,417,500	33.16	[REDACTED]	[REDACTED]
Orchid Lan HL <sup>(4)</sup>	Interests in controlled corporations	169,417,500	33.16	[REDACTED]	[REDACTED]
ThinkBoom Group Limited <sup>(4)</sup>	Interests in controlled corporations	169,417,500	33.16	[REDACTED]	[REDACTED]
Chengdu New-Eco Investment Holdings Limited <sup>(5)</sup>	Beneficial owner	47,510,000	9.30	[REDACTED]	[REDACTED]
Chengdu High-Tech VC <sup>(5)</sup>	Interests in controlled corporations	47,510,000	9.30	[REDACTED]	[REDACTED]
Chengdu High-tech Investment Group Co., Ltd. (成都高新投資集團有限公司) <sup>(5)</sup>	Interests in controlled corporations	47,510,000	9.30	[REDACTED]	[REDACTED]
Chengdu High-tech and Chengdu High-tech Ceyuan Investment Group Co., Ltd. (成都高新策源投資集團有限公司) <sup>(5)</sup>	Interests in controlled corporations	47,510,000	9.30	[REDACTED]	[REDACTED]

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

- (1) Based on the assumption that all Preferred Shares have been converted into Shares on a one-to-one basis.
- (2) The calculation is based on the total number of [REDACTED] Shares in issue immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised).
- (3) Great Guo FHL is owned as to 1% by Great Guo HL (which is wholly owned by Mr. Guo) and 99% by Shining Core International Group Limited (which is wholly owned by Great Guo Family Trust). Springberg FHL is owned as to 1% by Great Guo HL and 99% by Uni-Sparkle Group Limited (which is wholly owned by Springberg Family Trust). Sincebloom FHL is owned as to 1% by Great Guo HL and 99% by Galaxy-Shining Group Limited (which is wholly owned by Sincebloom Family Trust). Mr. Guo and Great Guo HL are the beneficiaries of each of Great Guo Family Trust, Springberg Family Trust and Sincebloom Family Trust, with TMF (Cayman) Ltd. serving as the trustee for each such trust. Pursuant to the deed of settlement constituting each such trust, Mr. Guo is entitled to exercise, at his sole and absolute discretion as the sole member of the investment committee of each such trust, voting rights attached to the Shares held by Great Guo FHL, Springberg FHL and Sincebloom FHL (as the case may be). As such, under the SFO, (i) each of Great Guo HL and Shining Core International Group Limited is deemed to be interested in the Shares held by Great Guo FHL; (ii) each of Great Guo HL and Galaxy-Shining Group Limited is deemed to be interested in the Shares held by Sincebloom FHL; (iii) each of Great Guo HL and Uni-Sparkle Group Limited is deemed to be interested in the Shares held by Springberg FHL; and (iv) each of Mr. Guo, Great Guo HL and TMF (Cayman) Ltd. is deemed to be interested in the Shares held by Great Guo FHL, Springberg FHL and Sincebloom FHL.
- (4) Orchid Lan FHL is owned as to 1% by Orchid Lan HL (which is wholly owned by Ms. Guo) and 99% by ThinkBoom Group Limited (which is wholly owned by Orchid Lan Family Trust). Ms. Guo and Orchid Lan HL are the beneficiaries of Orchid Lan Family Trust, with TMF (Cayman) Ltd. serving as the trustee for the trust. Pursuant to the deed of settlement constituting the trust, Ms. Guo is entitled to exercise, at her sole and absolute discretion as the sole member of the investment committee of the trust, voting rights attached to the Shares held by Orchid Lan FHL. As such, under the SFO, each of Ms. Guo, Orchid Lan HL, ThinkBoom Group Limited and TMF (Cayman) Ltd. is deemed to be interested in the Shares held by Orchid Lan FHL.
- (5) Chengdu New-Eco is wholly owned by Chengdu High-Tech VC. As of the Latest Practicable Date, Chengdu High-Tech VC was owned as to 55% by Chengdu High-tech Investment Group Co., Ltd. (成都高新投資集團有限公司) and 45% by Chengdu High-tech Ceyuan Investment Group Co., Ltd. (成都高新策源投資集團有限公司), which was in turn wholly owned by Chengdu High-tech Investment Group Co., Ltd.. As such, under the SFO, each of Chengdu High-Tech VC, Chengdu High-tech Investment Group Co., Ltd. and Chengdu High-tech Ceyuan Investment Group Co., Ltd. is deemed to be interested in the Shares held by Chengdu New-Eco.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), without taking into account the [REDACTED] that may be taken up under the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed 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 carrying rights to vote in all circumstances at general meetings of our Group.



## SHARE CAPITAL

### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the [REDACTED].

#### Authorized Share Capital

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US\$)
ordinary shares with a par value of US\$0.00001 each (assuming all Preferred Shares have been converted into Shares on a one-to-one basis) . . .	5,000,000,000	50,000

#### Issued Share Capital

*Assuming the [REDACTED] is not exercised*

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US\$)
Shares in issue as of the date of this document (assuming all Preferred Shares have been converted into Shares on a one-to-one basis) . . . . .	510,840,000	5,108.40
Shares to be issued under the [REDACTED] . . . . .	[REDACTED]	[REDACTED]
<b>Total</b> . . . . .	<b>[REDACTED]</b>	<b>[REDACTED]</b>

*Assuming the [REDACTED] Option is exercised in full*

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US\$)
Shares in issue as of the date of this document (assuming all Preferred Shares have been converted into Shares on a one-to-one basis) . . . . .	510,840,000	5,108.40
Shares to be issued under the [REDACTED] . . . . .	[REDACTED]	[REDACTED]
<b>Total</b> . . . . .	<b>[REDACTED]</b>	<b>[REDACTED]</b>

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## SHARE CAPITAL

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### ASSUMPTION

The above tables assume that the [REDACTED] has become unconditional and the Shares are issued pursuant to the [REDACTED]. They take no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

### RANKING

The [REDACTED] are Shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including the Shares to be converted from Preferred Shares upon completion of the [REDACTED]) and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Upon completion of the [REDACTED], our Company will have 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 Articles of Association, our Company may from time to time by ordinary resolution of Shareholders to (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) sub-divide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or any capital redemption reserve fund by special resolution. For details, see Appendix III to this document.

### GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of the general mandates, see “Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Our Shareholders” and “Statutory and General Information — A. Further Information about Our Group — 5. Repurchase of Our Own Securities” in this document.

## FINANCIAL INFORMATION

*The following discussion and analysis should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountants’ Report included in Appendix IA and Unaudited Interim Condensed Consolidated Financial Information included in Appendix IB to this document. Our historical financial information and the consolidated financial statements of our Group have been prepared in accordance with the IFRSs, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Appendix IA and IB and not rely merely on the information contained in this section. Unless the context otherwise requires, historical financial information in this section is described on a consolidated basis.*

*The discussion and analysis set forth in this section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us 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. Our actual results may differ significantly from those projected. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed “Risk Factors” and “Business” and elsewhere in this document. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.*

### OVERVIEW

We are a leading mobile game company with integrated development, publishing and operation capabilities in China, with a vision to promote the understanding and appreciation of Chinese culture to the world. Dedicated to reshaping the landscape of China’s mobile game industry and to industrializing the process of game development, publishing and operation, we have successfully achieved rapid growth and expansion since our inception. We distinguished ourselves from peers by offering a diversified game portfolio with various highly recognized games and a robust game pipeline. Specially, we are a pioneer in the instant game sector, which enjoys higher growth rate in recent years as modern game players prefer fun, easily accessible and convenient game experience. Around 90% of our total gross billings of mobile games during the Track Record Period were derived from instant games. Such achievements fully exhibit our technology-backed competitive edge in terms of game development, publishing, and operation, all of which featuring strong data-driven analytical capabilities and highly automated AI technology.

In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we generated revenue of RMB5,675.1 million, RMB5,327.1 million, RMB4,261.4 million and RMB2,094.5 million, respectively. In addition, we recorded a net profit of RMB328.2 million in 2022 and RMB197.1 million in 2023. For the nine months ended September 30, 2023 and 2024, we recorded a net profit of RMB178.2 million and a net loss of RMB47.2 million, respectively.

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## FINANCIAL INFORMATION

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### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by general factors, including:

- the overall economic growth in China, particularly levels of per capita disposable income, levels of consumer spending, and demand for mobile games;
- government management of the mobile game industry, such as the PRC government’s process of approving game registration and issuing of publication numbers for mobile games, as well as local regulations and policies; and
- the growth and competition of the mobile game industry, especially in instant game industry, including expansion of the player base, shifts in player preferences, spending habits and demands, and changes in industry trends and the competitive landscape.

In particular, our results of operations are benefited from the growth of China’s game industry particularly the mobile game market where we operate. According to Analysys, the size of the mobile game market in China grew rapidly at a CAGR of 15.8% from RMB145.0 billion in 2018 to RMB302.3 billion in 2023, and is expected to reach RMB367.7 billion in 2028. We anticipate that the demand for mobile games across various industry verticals, particularly in idle games and RPGs, which are currently our areas of focus will continue to increase. For details, see “Industry Overview” in this document.

In addition, we believe our results of operations are more directly affected by the following major factors.

#### **Our Ability To Expand and Monetize Our Player Base**

Our ability to continuously expand our player base is fundamental to our sustainable growth. A large and loyal player base enables us to obtain high-quality feedback on our games, which allows us to develop new games and improve existing ones to cater to evolving player preferences and demands. During the Track Record Period, we have achieved substantial growth in our player base. The cumulative registered players of our mobile games increased from 1,000.7 million as of December 31, 2022, to 1,494.5 million as of December 31, 2023 and further to 1,653.8 million as of September 30, 2024.

Furthermore, since our games are free to download and play, our revenue relies largely on the sale of in-game virtual items. Therefore, our ability to monetize our player base, in particular our ability to increase the number and spending of paying players, is crucial to our business operations. The AGBPPU of our mobile games amounted to RMB490, RMB524, and RMB456 in 2022, 2023 and the nine months ended September 30, 2024, respectively. For details of the calculations and detailed analysis of the above operating metrics, see “Business — Our Games — Key Operating Metrics” in this document.

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## FINANCIAL INFORMATION

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To expand and monetize our player base, we plan to improve the quality of our games, introduce new features and services, and launch new in-game virtual items and promotion activities. By implementing these initiatives, we expect that the user engagement and retention rate will increase, which ultimately will drive more in-game purchases.

In addition, we expect to enhance our operation ability of publishing instant games via various popular online platforms, including but not limited to WeChat, Douyin, Alipay, etc., where we have established a competitive edge over the competitors in the industry. Instant games have gained rising popularity in recent years, as contemporary gamers increasingly seek fun, easily accessible, and convenient gaming experiences. Our robust position in the instant game market uniquely positions us to capitalize on this trend, allowing us to reach a much broader player base. Our competitiveness in the industry will not only enhance our revenue potential but also contribute to sustainable financial growth.

### **Our Ability To Optimize Our Game Portfolio**

Our game portfolio consists of games spanning various genres and in different stages of lifecycle. Fueled by the optimistic performance of our landmark games, we recorded revenue of RMB5,675.1 million and RMB5,327.1 million in 2022 and 2023, respectively. As of the Latest Practicable Date, we had twelve mobile games in operation and a pipeline of 18 games that we plan to launch by the end of 2027. These games cover a variety of genres, such as RPGs, card games, SIMs, and SLGs. We expect that the launch of diverse mobile games will continue to drive our business growth in the future and enhance our long-term revenue generation ability.

In addition, in a given financial period, the mix of games in different stages of lifecycle would affect our overall financial performance, in particular our revenue, gross profit and gross profit margin. Games in the early stages of their lifecycle may demonstrate a quick increase in revenue, while mature games often generate steady revenue, which can experience declines as they age and face competition in the dynamic game market. Our revenue decreased from RMB4,261.4 million for the nine months ended September 30, 2023 to RMB2,094.5 million for the nine months ended September 30, 2024, primarily due to the decrease in revenue generated from (i) Nine Realms: Sword & Immortals (九州仙劍傳), which entered into a recession stage and (ii) Sword Fantasy (天劍奇緣), whose game performance was impacted by the competition in the evolving game industry. However, we witnessed a quick expansion in our newly launched games, including Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途), which demonstrated great revenue generation abilities in the nine months ended September 30, 2024.

### **Mix of Game Publishing Models**

We publish and operate games by ourselves or through the cooperation with third-party publishers, leveraging their established distribution channels and game marketing and promotion capabilities. Our game publishing strategies and our participation in multiple roles of the market value chain can impact our operating results and our profitability.

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## FINANCIAL INFORMATION

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For games published by third parties, we generally receive a monthly share of the games’ gross billings from third-party publishers, and record the amount withheld by the third-party publishers as part of the cost of sales. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, commissions charged by third-party publishers (as recognized in cost of sales) amounted to RMB3,462.8 million, RMB3,581.0 million, RMB2,925.3 million and RMB1,199.4 million respectively, accounting for 87.9%, 91.2%, 91.3% and 86.1% of our total cost of sales during the same respective periods.

For games published by ourselves, we are generally entitled to all the gross billings collected through third-party distribution channels after deduction of commissions charged by these third-party distribution channels (if we engage third-party distribution channels) and payment channels. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, commissions charged by distribution channels (as recognized in cost of sales) amounted to RMB222.9 million, RMB109.7 million, RMB90.7 million and RMB101.3 million respectively, accounting for 5.7%, 2.8%, 2.8% and 7.3% of our total cost of sales during the same respective periods.

Consistent with industry norms, our gross profit margin for games published by ourselves is typically higher than those published by third parties. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, games published by ourselves recorded gross profit margin of 83.8%, 86.3%, 84.7% and 80.2%, respectively, much higher than the gross profit margin of games published by third parties, amounting to 8.2%, 9.1%, 8.2% and 9.2% during the same respective periods. We typically prioritize publishing games by ourselves, yet when we deem appropriate, we also strategically collaborate with third-party publishers taking into account of their track records, reputation, credits, market reach, and etc. Due to the revenue mix of our games in terms of publishing models, our gross profit and gross profit margin may fluctuate from period to period. Going forward, we will seek to maintain a dynamic game publishing strategy, with a priority of self-publishing model, supplemented by third-party publishing mode, when we deem appropriate.

### **Mix of Game Sourcing**

We either self-develop our games or license them from third-party game developers. Our revenue generated from our licensed games accounted for 50.7%, 44.6%, 46.7%, and 25.5% of the total revenue in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively. We generally pay a one-off licensing fees, and a monthly share amounting to a prescribed percentage of the gross billings to the third-party game developers. We recognize these fees and monthly shares to game developers as commissions charged by game developers in our cost of sales. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, commissions charged by game developers (as recognized in cost of sales) amounted to RMB194.9 million, RMB160.3 million, RMB133.9 million and RMB39.0 million, respectively, accounting for 4.9%, 4.1%, 4.2% and 2.8% of our total cost of sales during the same respective periods. Our ability to license high-quality games from game developers can affect our ability to enhance our game portfolio and acquire new players, and our management of relationships with game developers can affect our ability to expand our game portfolio and license games at commercially reasonable costs, which can impact our results of operation.

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## FINANCIAL INFORMATION

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Our revenue from self-developed game operation accounted for 49.3%, 55.4%, 53.3%, and 74.5% of the total revenue in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively. As we strengthen our in-house research and development capabilities, we anticipate a continued increase in the proportion of our revenue to come from self-developed games, which we believe will result in improved financial outcomes. In addition, consistent with industry norms, our gross profit margin for self-developed games is typically higher than licensed games. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our self-developed games recorded gross profit margin of 55.5%, 40.4%, 39.1% and 41.8%, respectively, much higher than the gross profit margin of our licensed games, amounting to 6.4%, 8.8%, 8.4% and 9.1% during the same respective periods. Going forward, we plan to increase our focus on research and development, with the goal of developing a majority of our games in-house.

### **Our Ability To Improve the R&D Efficiency**

Leveraging our extensive experience in the mobile game industry and our strong systematic game development capabilities, we have developed several mobile games in-house. Our self-developed games demonstrated strong market performance after their launch. Our revenue generated from self-developed games amounted to RMB2,799.0 million, RMB2,949.0 million, RMB2,272.9 million and RMB1,560.9 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. We consider our research and development capacity to be a key factor in the success of our business. Developing mobile games in-house demands a relatively large investment prior to launch, as well as a significant commitment of future resources to update and extend the game’s lifecycle. We incurred research and development costs of RMB159.8 million, RMB210.0 million, RMB147.1 million and RMB165.8 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, accounting for 2.8%, 3.9%, 3.5% and 7.9% of our total revenue during the same respective periods. As we continue to shift our business focus to self-developed games, our in-house capabilities to develop games in a cost-effective manner would be crucial to our results of operations.

### **Our Ability To Efficiently Market and Promote Our Games**

To attract new players and increase awareness of our games and brand, we utilize a variety of marketing strategies including advertising and promotions across multiple channels for games published by ourselves. We design and implement tailored marketing and promotional strategies based on various factors, including the historical promotion investment returns of our games, the market performance of our games, the demographics and characteristics of our target players, as well as our anticipated promotion effect. We also conduct regular and/or *ad hoc* evaluations on the historical performance of our marketing and promotion activities, allowing us to make necessary and timely adjustments to our marketing and promotion strategies, thereby fostering a flexible and dynamic approach to optimize our operational efficiency. These approaches provide real-time insights into player acquisition, retention, and growth opportunities, and complements our player acquisition efforts.

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## FINANCIAL INFORMATION

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We recorded selling and distribution expenses of RMB1,215.1 million, RMB963.1 million, RMB700.0 million and RMB612.4 million, in 2022, 2023, and the nine months ended September 30, 2023 and 2024 respectively, accounting for 21.4%, 18.1%, 16.4% and 29.2% of our total revenue during the same respective periods. Our ability to control selling and distribution expenses may significantly affect our profitability. We have, historically managed and expect to continue to manage our selling and marketing expenses, in particular our promotion and advertising expenses, which amounted to RMB1,182.2 million, RMB910.8 million, RMB663.3 million and RMB574.3 million in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively.

Going forward, we expect an increase in our selling and distribution expenses as we invest more to promote our new games and prioritize our self-publishing model. Moreover, we expect to continuously evaluate and monitor the effectiveness and efficiency of our promotion activities and marketing spending in order to further enhance our brand awareness and attract a broader range of players in a sustainable manner. However, we cannot assure you that our marketing and promotion efforts will lead to increased players or increased revenue, and even to the extent that these marketing activities are effective, the additional revenue generated could nevertheless be insufficient to offset the relevant increased expenses. If we fail to promote our games in a cost-effective manner, our business, financial condition and results of operations could be adversely affected.

### **Preferential Tax Treatment**

Our PRC subsidiaries are generally subject to PRC enterprise income tax in accordance with the relevant PRC Corporate Income Tax Law based on a statutory rate of 25%. During the Track Record Period, we have benefited from a series of preferential tax treatment in China, which had affected our results of operations. In particular, our subsidiaries enjoyed tax exemption when they were accredited as “software enterprise(s)” and tax deduction when they were accredited as “small meagre-profit enterprise(s)” and we were entitled to claim “Super Deduction” in relation to our research and development activities according to applicable laws and regulations in the PRC during the Track Record Period. For details, see “— Description of Major Components of Our Results of Operations — Income Tax” in this section.

We cannot assure you that there will be no change to the PRC tax policies, that we will be able to renew these preferential tax treatments after they expire, or that we will continue to be eligible for these preferential tax treatments. If we fail to enjoy any of these preferential tax treatments, our enterprise income tax expenses may increase significantly and our profitability could be materially and adversely affected.

### **BASIS OF PREPARATION**

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations issued by the International Accounting Standards Board.



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The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

The preparation of the historical financial information in conformity with IFRs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our 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 3 to the Accountants' Report included in Appendix IA to this document.

### **SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We set out below some of the accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, judgments and estimates, which are important for understanding our financial condition and results of operations, are set out in further details in Notes 2.4 and 3 to the Accountants' Report in Appendix IA to this document.

#### **Significant Accounting Policies**

##### ***Revenue Recognition***

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

We adopt either a self-publishing model and/or a third-party publishing model to publish our self-developed games and/or licensed games developed by third-party game developers. The games are typically operated under a free-to-play model, where game players can play the games for free, but are charged for the purchase of in-game virtual items via payment channels. Our revenues are primarily generated from the sales of in-game virtual items and record on either a gross or net basis after determining whether we act as a principal or an agent in different game operating arrangements.

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In order to determine whether we act as a principal or an agent, we would evaluate the agreements between relevant parties and us, taking into account various factors, including but not limited to: whether we (i) have primary responsibilities to fulfill the promise to provide the specified good or service meeting customer specification; (ii) have inventory risk before the specified goods or service is transferred to a customer or after transferring control of the good or service to the customer, such as if the customer has a right of return; (iii) have right in pricing of the specified goods or services; and (iv) have discretion in selection of suppliers. The following sets forth a detailed description of the accounting policy for our revenues.

### *Our Group As A Principal*

When we take primary responsibilities in game operation, we consider ourselves as a principal in relevant game operating arrangements and record revenue on a gross basis. The following sets forth the specific circumstances when we consider ourselves as a principal.

#### *Operation of Self-Developed Games*

When we operate our self-developed games, we generally take primary responsibilities in game operation, including the game development, maintenance, price setting and game server hosting and maintenance. Under such circumstances, we would consider ourselves as a principal and record revenue on a gross basis.

We are obligated to provide ongoing services to game players who purchased in-game virtual items to gain an enhanced game-playing experience. As such, we recognize the revenue ratably over the estimated average playing period of these paying players (“**player relationship period**”), starting from the point in time when in-game virtual items are delivered to the players’ accounts. We estimate the player relationship period of a game based on historical data statistics of the paying players and reassess such period annually. If a new game is launched or only a limited period of paying player data is available, we consider other qualitative factors, such as the paying patterns of the paying players for other games with similar characteristics.

#### *Operation of Licensed Games*

When we operate games licensed from third-party game developers, we sometimes take primary responsibilities in game operation, including determining distribution channels and payment channels, providing customer service, determining the operating game servers and controlling game and services specifications and pricing, according to the relevant game licensed arrangements that we entered into with the third-party game developers. Under such circumstances, we would consider ourselves as a principal and record revenue on a gross basis.

### *Our Group As An Agent*

In certain game operating arrangements where we do not take primary responsibilities in game operation, we would consider ourselves as an agent and record revenue on a net basis. The following sets forth the specific circumstances when we consider ourselves as an agent.

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### *Operation of Self-Developed Games*

When we license out our self-developed games to third-party publishers, who operate our mobile games in designated regions or countries within a specific period, the third-party publishers generally take primary responsibility in game operation and bear significant risks and rewards associated with the operation of the games under the game licensing arrangements, as they are responsible for marketing and promotion of the games in the market, determining the price of in-game virtual items, selecting distribution channels and payment channels and providing customer service. Under such circumstances, we would consider ourselves as an agent and record revenue on a net basis.

We typically receive licensing fees from the third-party publishers, consisting of (i) non-refundable fixed licensing fees, either paid upfront by third-party publishers or according to a specific payment schedule, and (ii) variable licensing fees, which are calculated based on a prescribed percentage of the amounts paid by paying players for the purchase of in-game virtual items. The non-refundable fixed licensing fees are initially recorded as contract liabilities and are then recognized as revenue ratably over the licensing period because the licensing arrangements are considered to be right-to-access licensing arrangements. The variable licensing fees are recognized as revenue on a net basis when the sales occur.

### *Operation of Licensed Games*

When we operate games licensed from third-party game developers, we are generally authorized to provide game operation services such as conducting precision marketing, publishing channel and payment channel operation and/or brand incubation services. However, the third-party game developers take primary responsibilities in game operation, as they retain the right to authorize us to provide game operation supporting services and are responsible for (i) providing the games; (ii) the development, upgrade, update and maintenance of the game; (iii) independently setting the prices of in-game virtual items and the generation, transferring, operation and destruction of in-game virtual items and (iv) hosting and maintaining the game server. Under such circumstances, we would consider ourselves as an agent and record revenue on a net basis.

Pursuant to the service agreement between the third-party game developer and us, we typically charge the third-party game developer a service fee based on a percentage of the gross amounts paid by the paying users for the purchase of in-game virtual items. The service fee is recognized as revenue on a net basis, when the sales occur, and when the paying amounts are determinable.

### *Contract Liabilities*

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we render the related services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., the related services rendered to the customer).

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### *Contract Costs*

Other than the costs which are capitalized as property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met: (i) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.

All capitalized contract costs are amortized, with the expense recognized on a systematic basis that is consistent with the entity's transfer of control of the related goods or services to the customer. Other contract costs are expensed as incurred.

### *Intangible Assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### *Patents and Licenses*

Purchased patents and licenses are stated at cost less any impairment losses and are amortized on the straight-line basis over the shorter of the remaining licensing periods and the estimated useful lives of two to ten years.

### *Software*

Acquired software is stated at historical cost less amortization. Acquired software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software, and is amortized on a straight-line basis over the useful life of two to ten years.

### *Research and Development Costs*

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when our Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure that does not meet these criteria is expensed when incurred.

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### *Income Tax*

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Periods, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences as of the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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The carrying amount of deferred tax assets is reviewed at the end of each Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if our Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Significant Accounting Judgements and Estimates**

#### ***Judgements***

In the process of applying our Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Accountants' Report in Appendix IA to this document:

#### ***Principal versus agent considerations***

Pursuant to game publishing and operation arrangements signed between our Group and the third-party game developers or distribution channels, our Group's responsibilities in publishing and operating the licensed games vary for each game. The determination of whether to record these revenues using gross or net basis is based on an assessment of various factors, including but not limited to whether our Group:

- (i) is the primary obligor to the game developers or game players in the arrangements;
- (ii) has general inventory risk;
- (iii) has the rights to host the game servers or determine the operating game servers;
- (iv) has latitude in establishing the selling price of virtual items;
- (v) changes the products or performs part of the services;

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(vi) has involvement in the determination of product and service specifications; and

(vii) has the rights to determine distribution channels and payment channels.

### *Right to access for game licensing*

The nature of our Group’s promise in granting a licence is a promise to provide a right to access our Group’s intellectual property if all of the following criteria are met:

- (i) the contract requires, or the customer reasonably expects, that we will undertake activities that significantly affect the intellectual property to which the customer has rights;
- (ii) the rights granted by the license directly expose the customer to any positive or negative effects of our Group’s activities; and
- (iii) those activities do not result in the transfer of a good or a service to the customer as those activities occur.

### *Withholding taxes arising from the distribution of dividends*

Our determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Since we intend to reinvest earnings to further expand our businesses in Mainland China after Reorganisation, we currently do not intend to declare dividend to our immediate foreign holding entities in the foreseeable future. Accordingly, no deferred tax liability on withholding taxes was accrued as at the end of each reporting period.

### *Contractual Arrangements*

The Consolidated Affiliated Entities are mainly engaged in the development and operation of mobile games in Mainland China, which falls in the scope of “Catalog of Restricted Foreign Investment Industries” that foreign investors are prohibited to invest.

As disclosed in Note 2.1 to the Accountants’ Report in Appendix IA to this document, our Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements. Pursuant to the Contractual Arrangements, the WFOE controls the voting rights of the Consolidated Affiliated Entities and undertakes to provide the Consolidated Affiliated Entities with certain consultancy and technical services as required to support their operations. In return, the WFOE is entitled to substantially all of the operating profits and residual benefits generated by the Consolidated Affiliated Entities through intercompany charges levied on these

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services rendered. The registered equity holders of the Consolidated Affiliated Entities are also required to transfer its interests in the Consolidated Affiliated Entities to the WFOE or the designee appointed by the WFOE upon a request made by the WFOE when permitted by the PRC laws. The equity interests in the Consolidated Affiliated Entities have also been pledged by the registered equity holders to the WFOE in respect of the continuing obligations of the Consolidated Affiliated Entities.

Our Group considers that it controls the Consolidated Affiliated Entities, notwithstanding the fact that it does not hold direct equity interest in the Consolidated Affiliated Entities, as it has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities through the Contractual Arrangements. Accordingly, the Consolidated Affiliated Entities have been accounted as subsidiaries during the Track Record Period. Our Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the Accountants’ Report in Appendix IA to this document.

### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### *Estimate of the player relationship period for the revenue from self-developed and licensed game operation*

As described in Note 2.4 to the Accountants’ Report in Appendix IA to this document, revenue from self-developed and licensed game are recognised over the player relationship period. Our Group estimates the player relationship period of a game based on historical data statistics of the paying players and re-assesses such period annually. If a new game is launched or only a limited period of paying player data is available, our Group then considers other qualitative factors, such as the paying patterns for the paying players for the other game with similar characteristics. While our Group believes its estimates to be reasonable, it may revise such estimate in the future as there is any important changes in game player behaviour patterns, games’ operation periods and other aspects.

### *Provision for expected credit losses on trade receivables and other receivables*

Our Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various debtor segments that have similar loss patterns (i.e., by debtor type and rating).



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The provision matrix is initially based on our Group’s historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the payment channels and distribution channels, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Our Group has applied the general approach to provide for expected credit losses for other receivables and considered the default event, historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. Our Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a debtor’s actual default in the future. The information about the ECLs on our Group’s trade receivables and other receivables are disclosed in Notes 16 and 17 to the Accountants’ Report in Appendix IA to this document.

### *Leases — Estimating the incremental borrowing rate*

Our Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“**IBR**”) to measure lease liabilities. The IBR is the rate of interest that our Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what our Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). Our Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 23 to the Accountants’ Report in Appendix IA to this document.

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### *Impairment of non-financial assets*

Our Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets). Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Notes 13, 14, 15 and 17 to the Accountants’ Report in Appendix IA to this document.

### **SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
				(unaudited)		(unaudited)		
Revenue	5,675,082	100.0	5,327,103	100.0	4,261,381	100.0	2,094,507	100.0
Cost of Sales	(3,938,421)	(69.4)	(3,928,006)	(73.7)	(3,204,161)	(75.2)	(1,393,689)	(66.5)
Gross profit	1,736,661	30.6	1,399,097	26.3	1,057,220	24.8	700,818	33.5
Other income and gains	11,017	0.2	23,521	0.4	19,900	0.4	14,374	0.7
Selling and distribution expenses	(1,215,082)	(21.4)	(963,139)	(18.1)	(700,044)	(16.4)	(612,370)	(29.2)
Administrative expenses	(48,942)	(0.9)	(47,536)	(0.9)	(34,889)	(0.8)	(35,862)	(1.7)
Research and development costs	(159,776)	(2.8)	(210,012)	(3.9)	(147,127)	(3.5)	(165,832)	(7.9)
Impairment losses on financial assets, net	(7,407)	(0.1)	804	0.0	1,453	0.0	124	0.0
Other expenses	(172)	(0.0)	(1,555)	(0.0)	(1,281)	0.0	(122)	0.0
Finance costs	(1,555)	(0.0)	(3,256)	(0.1)	(1,983)	(0.0)	(3,392)	(0.2)
Share of loss of an associate	–	–	–	–	–	–	(2,896)	(0.1)
Profit/(Loss) before tax	314,744	5.6	197,924	3.7	193,249	4.5	(105,158)	(4.9)
Income tax credit/(expenses)	13,490	0.2	(792)	(0.0)	(15,075)	(0.3)	57,991	2.7
Profit/(Loss) for the year/period	<u>328,234</u>	<u>5.8</u>	<u>197,132</u>	<u>3.7</u>	<u>178,174</u>	<u>4.2</u>	<u>(47,167)</u>	<u>(2.2)</u>

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### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULT OF OPERATIONS

#### Revenue

##### *Revenue by Publishing Model*

During the Track Record Period, our mobile games were primarily offered on a free-to-play basis and we generated revenues primarily from the sales of in-game virtual items. Our games were published either by ourselves on our official website and through third-party distribution channels, or by third-party publishers who co-published our games by utilizing their resources at local mobile game markets. We generally recognize our revenue on the gross billings paid by players. To a much lesser extent, we recognize revenue on a net basis when we act as agent in publishing certain games. The following table sets forth a breakdown of our revenue by publishing model for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,				
	2022		2023		2023		2024		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
						<i>(unaudited)</i>	<i>(unaudited)</i>		
<b>Revenue</b>									
Self-publishing model	1,679,754	29.6	1,185,807	22.3	926,416	21.7	715,108	34.1	
Third-party publishing model	3,995,328	70.4	4,141,296	77.7	3,334,965	78.3	1,379,399	65.9	
<b>Total</b>	<b><u>5,675,082</u></b>	<b><u>100.0</u></b>	<b><u>5,327,103</u></b>	<b><u>100.0</u></b>	<b><u>4,261,381</u></b>	<b><u>100.0</u></b>	<b><u>2,094,507</u></b>	<b><u>100.0</u></b>	

##### *Revenue by Game Source*

During the Track Record Period, we generated revenue from our operation of both self-developed games and licensed games.

We generally consider ourselves as principal in arrangements of self-developed game operation and recognize revenue on a gross basis. In certain cases, we license out our self-developed games to certain third-party publishers, where we consider our ourselves as agent and recognize revenue on a net basis. We receive licensing fees representing a share of the gross billings of the licensed game as well as non-refundable fixed payments from such third-party publishers. For more information, see “— Significant Accounting Policies and Significant Accounting Judgments and Estimates — Significant Accounting Policies — Revenue Recognition” in this section.

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With respect to arrangements of licensed game operation, we consider ourselves either as principal or agent. In cases where we take primary responsibilities of game operation, including determining distribution channels and payment channels, providing customer services, determining the operating game servers and controlling game and service specifications and pricing, we regard ourselves as principal and recognize revenue on a gross basis; while in cases where a third-party game developer takes primary responsibilities of game operation, and is responsible for (i) providing the games, and having the right to authorize us to provide game operation services; (ii) the development, upgrade, update and maintenance of the game; (iii) independently setting the prices of in-game virtual items and (iv) hosting and maintaining the game server, we regard ourselves as agent, and recognize revenue on a net basis.

The following table sets forth a breakdown of our revenue by game source for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-developed games <sup>(1)</sup>	2,799,007	49.3	2,949,015	55.4	2,272,937	53.3	1,560,938	74.5
Licensed game <sup>(2)</sup>	2,876,075	50.7	2,378,088	44.6	1,988,444	46.7	533,569	25.5
<b>Total</b>	<b><u>5,675,082</u></b>	<b><u>100.0</u></b>	<b><u>5,327,103</u></b>	<b><u>100.0</u></b>	<b><u>4,261,381</u></b>	<b><u>100.0</u></b>	<b><u>2,094,507</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Including revenue generated from our licensing of self-developed games to third-party publishers. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our revenue generated from our licensing of self-developed games to third party publishers amounted to RMB46.2 million, RMB25.0 million, RMB20.6 million and RMB9.8 million, respectively, accounting for 0.8%, 0.5%, 0.5% and 0.5% of the total revenue in the respective years/periods.
- (2) Revenue generated from licensed games was mainly from Nine Realms: Sword & Immortals (九州仙劍傳) during the Track Record Period.

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### Revenue by Games

During the Track Record Period, we generated our revenue primarily from six landmark games, including five self-developed and one licensed mobile games. The following table sets forth a breakdown of our revenue by games for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,				
	2022		2023		2023		2024		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
						<i>(unaudited)</i>	<i>(unaudited)</i>		
<b>Landmark Games</b>									
<i>Nine Realms: Sword &amp; Immortals (九州仙劍傳) – licensed</i>	2,846,502	50.1	2,303,441	43.3	1,927,956	45.2	527,209	25.2	
<i>Sword Fantasy (天劍奇緣) – self-developed</i>	2,200,619	38.8	2,514,386	47.2	1,975,610	46.5	943,599	45.0	
<i>Demon Hunter (黎明召喚) – self-developed</i>	84,494	1.5	59,979	1.1	34,682	0.8	25,980	1.2	
<i>Mysterious World: Awaking (異界深淵·覺醒) – self-developed</i>	258,868	4.6	124,800	2.4	109,886	2.6	30,383	1.5	
<i>Mysterious World: Spirit King (異界深淵:大靈王) – self-developed</i>	–	–	86,207	1.6	25,900	0.6	361,373	17.3	
<i>Sword Path of the Mountain and Sea (山海劍途) – self-developed</i>	–	–	22,917	0.4	6,365	0.1	136,374	6.5	
<b>Other Games</b>	<u>284,599</u>	<u>5.0</u>	<u>215,373</u>	<u>4.0</u>	<u>180,982</u>	<u>4.2</u>	<u>69,589</u>	<u>3.3</u>	
<b>Total</b>	<u><b>5,675,082</b></u>	<u><b>100.0</b></u>	<u><b>5,327,103</b></u>	<u><b>100.0</b></u>	<u><b>4,261,381</b></u>	<u><b>100.0</b></u>	<u><b>2,094,507</b></u>	<u><b>100.0</b></u>	

Note:

\* During the Track Record Period, revenue generated from each game included revenue generated from their respective public testing stage (where applicable), which were immaterial.

## FINANCIAL INFORMATION

### Revenue by Geographic Area

The following table sets forth a breakdown of our revenue by geographic area for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Mainland China	5,628,874	99.2	5,298,894	99.5	4,240,805	99.5	2,070,259	98.8
Outside Mainland China*	46,208	0.8	28,209	0.5	20,576	0.5	24,248	1.2
<b>Total</b>	<b>5,675,082</b>	<b>100.0</b>	<b>5,327,103</b>	<b>100.0</b>	<b>4,261,381</b>	<b>100.0</b>	<b>2,094,507</b>	<b>100.0</b>

Note:

\* Mainly including revenues generated from local versions of games in Hong Kong, Macao, South Korea, Southeast Asia, the U.S., Europe, and Japan.

### Cost of Sales

Our cost of sales consist of (i) commissions charged by third-party publishers, representing the amount of gross billings shared to third-party publishers; (ii) commissions charged by distribution channels, representing the amount of gross billings shared to third-party distribution channels for our self-published games; (iii) commissions charged by game developers; (iv) bandwidth and servers custody fees; (v) employee benefit expenses; (vi) commissions charged by payment channels; and (vii) others, primarily including depreciation and amortization charges for the royalty fees charged by third-party developers, and outsourced technical services fees. The following table sets forth a breakdown of our cost of sales by nature for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Commissions charged by third-party publishers (as recognized in cost of sales)	3,462,817	87.9	3,580,985	91.2	2,925,259	91.3	1,199,409	86.1
Commissions charged by distribution channels (as recognized in cost of sales)	222,932	5.7	109,699	2.8	90,704	2.8	101,279	7.3
Commissions charged by game developers (as recognized in cost of sales)	194,905	4.9	160,252	4.1	133,875	4.2	39,017	2.8
Bandwidth and servers custody fees	27,723	0.7	39,037	1.0	27,341	0.9	25,931	1.9
Employee benefit expenses	16,783	0.4	24,793	0.6	17,340	0.5	20,405	1.4
Commissions charged by payment channels	10,585	0.3	8,683	0.2	6,235	0.2	4,286	0.3
Others	2,676	0.1	4,557	0.1	3,407	0.1	3,362	0.2
<b>Total</b>	<b>3,938,421</b>	<b>100.0</b>	<b>3,928,006</b>	<b>100.0</b>	<b>3,204,161</b>	<b>100.0</b>	<b>1,393,689</b>	<b>100.0</b>

## FINANCIAL INFORMATION

The cost of sales incurred by self-publishing model primarily consists of (i) commissions charged by distribution channels; (ii) employee benefit expenses incurred under this model; (iii) bandwidth and servers custody fees in connection with the technology support for our self-published game operation; (iv) commissions charged by payment channels for games published under this model; (v) commissions charged by game developers; (vi) depreciation and amortization charges for the royalty fees charged by game developers for games published under this model; and (vii) others. The cost of sales incurred by third-party publishing model primarily consists of (i) commissions charged by third-party publishers; (ii) commissions charged by game developers for games published under this model and (iii) bandwidth and servers custody fees primarily in connection with the technology support for games that adopt third-party publishing model. The following table sets forth a breakdown of our cost of sales by publishing model for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-publishing model	271,557	6.9	162,668	4.1	141,625	4.4	141,343	10.1
Third-party publishing model	3,666,864	93.1	3,765,338	95.9	3,062,536	95.6	1,252,346	89.9
<b>Total</b>	<b><u>3,938,421</u></b>	<b><u>100.0</u></b>	<b><u>3,928,006</u></b>	<b><u>100.0</u></b>	<b><u>3,204,161</u></b>	<b><u>100.0</u></b>	<b><u>1,393,689</u></b>	<b><u>100.0</u></b>

The cost of sales incurred by self-developed games primarily consists of (i) employee benefit expenses incurred by staff supporting operation of our self-developed games; (ii) bandwidth and servers custody fees in connection with the technology support for our self-developed game operation; (iii) commissions charged by distribution channels for our self-developed games; (iv) commissions charged by third-party publishers for our self-developed games; (v) commissions charged by payment channels for our self-developed games; and (vi) others. The cost of sales incurred by licensed games primarily consists of (i) commissions charged by game developers; (ii) commissions charged by distribution channels for our licensed games; (iii) commissions charged by third-party publishers for our licensed games, (iv) commissions charged by payment channels for our licensed games; and (v) others. The following table sets forth a breakdown of our cost of sales by game source for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-developed games	1,245,100	31.6	1,758,677	44.8	1,383,367	43.2	908,854	65.2
Licensed games	2,693,321	68.4	2,169,329	55.2	1,820,794	56.8	484,835	34.8
<b>Total</b>	<b><u>3,938,421</u></b>	<b><u>100.0</u></b>	<b><u>3,928,006</u></b>	<b><u>100.0</u></b>	<b><u>3,204,161</u></b>	<b><u>100.0</u></b>	<b><u>1,393,689</u></b>	<b><u>100.0</u></b>

## FINANCIAL INFORMATION

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales. The following table sets forth our gross profit and gross profit margin by game publishing models for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-publishing model	1,408,197	83.8	1,023,139	86.3	784,791	84.7	573,765	80.2
Third-party publishing model	328,464	8.2	375,958	9.1	272,429	8.2	127,053	9.2
<b>Total</b>	<b><u>1,736,661</u></b>	<b><u>30.6</u></b>	<b><u>1,399,097</u></b>	<b><u>26.3</u></b>	<b><u>1,057,220</u></b>	<b><u>24.8</u></b>	<b><u>700,818</u></b>	<b><u>33.5</u></b>

The following table sets forth our gross profit and gross profit margin by game source for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Self-developed games	1,553,907	55.5	1,190,338	40.4	889,570	39.1	652,084	41.8
Licensed games	182,754	6.4	208,759	8.8	167,650	8.4	48,734	9.1
<b>Total</b>	<b><u>1,736,661</u></b>	<b><u>30.6</u></b>	<b><u>1,399,097</u></b>	<b><u>26.3</u></b>	<b><u>1,057,220</u></b>	<b><u>24.8</u></b>	<b><u>700,818</u></b>	<b><u>33.5</u></b>



## FINANCIAL INFORMATION

The following table sets forth our gross profit and gross profit margin by games for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
<b>Landmark Games</b>								
<i>Nine Realms: Sword &amp; Immortals (九州仙劍傳) – licensed</i>								
	155,003	5.4	135,087	5.9	107,983	5.6	42,472	8.1
<i>Sword Fantasy (天劍奇緣) – self-developed</i>								
	1,208,575	54.9	911,630	36.3	720,802	36.5	178,668	18.9
<i>Demon Hunter (黎明召喚) – self-developed</i>								
	80,200	94.9	51,844	86.4	30,155	86.9	20,897	80.4
<i>Mysterious World: Awaking (異界深淵:覺醒) – self-developed</i>								
	213,070	82.3	104,259	83.5	92,250	84.0	22,309	73.4
<i>Mysterious World: Spirit King (異界深淵:大靈王) – self-developed</i>								
	–	–	75,197	87.2	20,957	80.9	288,118	79.7
<i>Sword Path of the Mountain and Sea (山海劍途) – self-developed</i>								
	–	–	18,161	79.2	4,735	74.4	111,713	81.9

## FINANCIAL INFORMATION

### Other Income and Gains

Our other income and gains primarily consist of (i) other government grants, representing subsidies received from the local governments to support our business development, which are generally one-off in nature; (ii) bank interest income; (iii) advertising income that we received from a third party for providing advertising space in the game interface; (iv) VAT additional deduction; (v) fair value gains on financial assets at fair value through profit or loss; and (vi) others, mainly including gains on disposal of short-term structured deposits, net foreign exchange differences and etc. The following table sets forth a breakdown of our other income and gains for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,				
	2022		2023		2023		2024		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
						<i>(unaudited)</i>	<i>(unaudited)</i>		
Other government grants	1,431	13.0	9,539	40.6	9,472	47.6	6,851	47.7	
Bank interest income	717	6.5	3,430	14.6	2,280	11.5	2,729	19.0	
Advertising income	–	–	2,080	8.8	2,044	10.3	2,726	19.0	
VAT additional deduction	8,044	73.0	5,741	24.4	3,790	19.0	436	3.0	
Fair value gains on financial assets at fair value through profit or loss	67	0.6	1,105	4.7	1,017	5.1	165	1.1	
Others	758	6.9	1,626	6.9	1,297	6.5	1,467	10.2	
<b>Total</b>	<b><u>11,017</u></b>	<b><u>100.0</u></b>	<b><u>23,521</u></b>	<b><u>100.0</u></b>	<b><u>19,900</u></b>	<b><u>100.0</u></b>	<b><u>14,374</u></b>	<b><u>100.0</u></b>	

## FINANCIAL INFORMATION

### Selling and Distribution Expenses

We incur selling and distribution expenses primarily for our self-published games, consisting of (i) promotion and advertising expenses, primarily including service fees paid to advertising and marketing agencies; (ii) employee benefit expenses for our sales and marketing personnel; and (iii) others, primarily including depreciation and amortization charges, utilities and office expenses in relation to our sales and marketing activities, travelling expenses incurred by our sales and marketing personnel and other miscellaneous costs for general sales and marketing activities. The following table sets forth a breakdown of our selling and distribution expenses for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Promotion and advertising expenses	1,182,172	97.3	910,799	94.6	663,303	94.8	574,262	93.8
Employee benefit expenses	30,008	2.5	43,207	4.5	30,232	4.3	32,478	5.3
Others	2,902	0.2	9,133	0.9	6,509	0.9	5,630	0.9
<b>Total</b>	<b><u>1,215,082</u></b>	<b><u>100.0</u></b>	<b><u>963,139</u></b>	<b><u>100.0</u></b>	<b><u>700,044</u></b>	<b><u>100.0</u></b>	<b><u>612,370</u></b>	<b><u>100.0</u></b>

### Administrative Expenses

Our administrative expenses consist of (i) employee benefit expenses for our administration personnel; (ii) [REDACTED]; (iii) professional service fees, which are generally charged by external professional consultants for our financing, auditing and legal activities; (iv) utilities and office expenses; (v) travelling expenses incurred by our administrative staff; (vi) tax expenses; and (vii) others, primarily represent depreciation and amortization charges and miscellaneous costs for administrative activities. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee benefit expenses	22,123	45.2	24,700	52.0	17,926	51.4	19,906	55.5
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Professional service fees	6,754	13.8	4,148	8.7	2,894	8.3	4,303	12.0
Utilities and office expenses	4,392	9.0	2,794	5.8	2,611	7.5	2,565	7.1
Travelling expenses	1,275	2.6	2,887	6.1	1,969	5.6	2,359	6.6
Tax expenses	3,234	6.6	2,176	4.6	1,120	3.2	529	1.5
Others	942	1.9	2,902	6.1	1,925	5.5	978	2.7
<b>Total</b>	<b><u>48,942</u></b>	<b><u>100.0</u></b>	<b><u>47,536</u></b>	<b><u>100.0</u></b>	<b><u>34,889</u></b>	<b><u>100.0</u></b>	<b><u>35,862</u></b>	<b><u>100.0</u></b>

## FINANCIAL INFORMATION

### Research and Development Costs

Our research and development costs primarily consist of (i) employee benefit expenses for our research and development personnel; (ii) research and design expenses, mainly representing fees paid to third-party studios for our outsourced services, such as game effect design, game motion design, and art design; (iii) depreciation and amortization charges; and (iv) others, primarily include utilities and office expenses, patent application fees in relation to our self-developed games, travelling expenses incurred by our research and development personnel and other miscellaneous costs for research and development activities. The following table sets forth a breakdown of our research and development costs for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Employee benefit expenses	131,860	82.5	180,038	85.8	126,492	86.0	134,553	81.1
Research and design expenses	18,701	11.7	14,518	6.9	9,574	6.5	18,951	11.4
Depreciation and amortization charges	5,723	3.6	9,726	4.6	7,701	5.2	7,733	4.7
Others	3,492	2.2	5,730	2.7	3,360	2.3	4,595	2.8
<b>Total</b>	<b><u>159,776</u></b>	<b><u>100.0</u></b>	<b><u>210,012</u></b>	<b><u>100.0</u></b>	<b><u>147,127</u></b>	<b><u>100.0</u></b>	<b><u>165,832</u></b>	<b><u>100.0</u></b>

### Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets primarily represent allowances for expected credit losses of our financial assets, primarily including trade receivables. For details, see Note 16 to the Accountants’ Report included in Appendix IA and Note 11 to Unaudited Interim Condensed Consolidated Financial Information included in Appendix IB to this document. We recorded net impairment losses on financial assets of RMB7.4 million in 2022, reversal of previous impairment losses on these financial assets of RMB0.8 million in 2023, reversal of previous impairment losses on these financial assets of RMB1.5 million in the nine months ended September 30, 2023 and net impairment losses on financial assets of RMB0.1 million in the nine months ended September 30, 2024, respectively, based on our assessment of the recoverability of these financial assets.

## FINANCIAL INFORMATION

### Finance Costs

Our finance costs include (i) interest on bank borrowings, (ii) interest on lease liabilities and (iii) guarantee fee for bank borrowings. The following table sets forth a breakdown of our finance costs for the years/periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
				<i>(unaudited)</i>			<i>(unaudited)</i>	
Interest on bank borrowings	536	34.5	1,057	32.5	305	15.4	2,138	63.0
Interest on lease liabilities	868	55.8	1,924	59.1	1,466	73.9	1,079	31.8
Guarantee fee for bank borrowings	151	9.7	275	8.4	212	10.7	175	5.2
<b>Total</b>	<b><u>1,555</u></b>	<b><u>100.0</u></b>	<b><u>3,256</u></b>	<b><u>100.0</u></b>	<b><u>1,983</u></b>	<b><u>100.0</u></b>	<b><u>3,392</u></b>	<b><u>100.0</u></b>

### Income Tax

Our income tax consists of (i) current income tax and (ii) deferred income tax. For details of our deferred tax assets and liabilities, see Note 23 to the Accountants' Report in Appendix IA and Note 7 to Unaudited Interim Condensed Consolidated Financial Information included in Appendix IB to this document. The following table sets forth a breakdown of our income tax for the years/periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax – Mainland China	11,919	18,102	9,187	4
Deferred income tax	<u>(25,409)</u>	<u>(17,310)</u>	<u>5,888</u>	<u>(57,995)</u>
<b>Total tax (credit)/expense for the year/period</b>	<b><u>(13,490)</u></b>	<b><u>792</u></b>	<b><u>15,075</u></b>	<b><u>(57,991)</u></b>

Our principal applicable taxes and tax rates are set forth as follows.

### *Cayman Islands*

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and, accordingly, we are not subject to income tax from businesses carried out in the Cayman Islands.

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## FINANCIAL INFORMATION

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### *Hong Kong*

The statutory tax rate for our subsidiaries in Hong Kong is 16.5%. No provision for Hong Kong profits tax has been made as we did not generate any assessable profits arising in Hong Kong during the Track Record Period.

### *Mainland China*

All of our Group’s subsidiaries registered in the PRC with operation in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with the relevant PRC Corporate Income Tax Law based on a statutory rate of 25% for the Track Record Period.

In 2023, Chengdu Hehuida met the requirements of the revised catalogue of industries whose development is encouraged in the western regions of Mainland China, where allow Corporate Income Tax (“CIT”) to be levied at a reduced rate of 15% for eligible enterprise.

Guangzhou Uni-star obtained the qualification as a “High and New Technology Enterprise” in 2023 and it is subject to a reduced preferential CIT rate of 15% for a three-year period from 2023 to 2025.

Shanghai Yuanxi is accredited as a “software enterprise” under the relevant PRC Corporate Income Tax Law and regulations. It is exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the “**tax holiday**”). Accordingly, Shanghai Yuanxi is exempt from CIT for 2022.

Hainan Uni-star and Chengdu Jinhongtu were accredited as “small meagre-profit enterprise” in 2023, Guangzhou Uni-star, Chengdu Hehuida, Shanghai Aoren, Shanghai Yuexi, Yichun Jiangxin, Hunan Ruiying, Shanghai Lingku and Shanghai Xuangan were accredited as “small meagre-profit enterprises” in 2022, Shanghai Lingku and Shanghai Xuangan were accredited as “small meagre-profit enterprises” in 2022, under the relevant PRC Corporate Income Tax Law and regulations. Accordingly, Hainan Uni-star and Chengdu Jinhongtu included 25% of profit before tax in the taxable income and enjoyed a reduced tax rate of 20% in 2023; Guangzhou Uni-star, Chengdu Hehuida, Shanghai Aoren, Shanghai Yuexi, Yichun Jiangxin, Hunan Ruiying, Shanghai Lingku and Shanghai Xuangan included 12.5% of profit before tax in the taxable income and enjoyed a reduced tax rate of 20% in 2022.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (**Super Deduction**). According to the Notice [2022] No. 28, which was promulgated by the Ministry of Science & Technology, Ministry of Finance, State Tax Bureau on September 22, 2022 and executed on October 1, 2022, the percentage of pre-tax additional deduction for research and development expenses of the Group’s entities had been increased to 100%.

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## FINANCIAL INFORMATION

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### Share of Loss of an Associate

Our associated company refers to Zhongrong Huatai, which primarily engages in mobile game operations, with a focus on mobile game development and publishing. Our share of loss of an associate primarily represented loss attributable to us from our associate pursuant to our equity interests in such associate. An associate is an entity over which we can cast “significant influence” to participate in financial and operating policy decisions, but not control or joint control. We only recorded share of loss of an associate of RMB2.9 million for the nine months ended September 30, 2024, primarily as a result of the loss recorded by Zhongrong Huatai in the first nine months of 2024, as Zhongrong Huatai was in the process of game development, requiring a substantial investment in R&D before the launch of the game. According to Analysys, it is common in the mobile game industry to record significant R&D costs and expenses for the game development. Our Directors anticipate that our investment in Zhongrong Huatai will create a synergistic effect that will enhance our business growth in the mobile game market, particularly in the areas of game development and publishing.

### RESULTS OF OPERATIONS

#### Nine Months Ended September 30, 2023 Compared With Nine Months Ended September 30, 2024

##### *Revenue*

Our revenue decreased from RMB4,261.4 million for the nine months ended September 30, 2023 to RMB2,094.5 million for the nine months ended September 30, 2024, primarily due to (i) a decrease in revenue generated from our licensed game, Nine Realms: Sword & Immortals (九州仙劍傳), which entered into a recession stage of lifecycle. In addition, this decline was also affected by our game portfolio development and promotion strategy, as we invested more on development and promotion on other games, in particular, our self-developed games; and (ii) a decrease in revenue generated from Sword Fantasy (天劍奇緣). The fluctuation of the market performance of this game was impacted by the intense competition in the evolving game industry and our game portfolio development and promotion strategies. Since July 2024, we have started to promote Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途) on a large scale, and therefore allocated additional marketing and promotion resources to these games, which, in turn, resulted in a reduced focus on publishing of Sword Fantasy (天劍奇緣).

Notwithstanding the above challenges, we have experienced a quick expansion of our new games in the nine months ended September 30, 2024. In particular, the revenue generated by Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途) increased by 1,295.3% from RMB25.9 million in the nine months ended September 30, 2023 to RMB361.4 million in the nine months ended September 30, 2024, and by 2,042.6% from RMB6.4 million in the nine months ended September 30, 2023 to RMB136.4 million in the nine months ended September 30, 2024, respectively. In addition, the aggregate revenue contribution of the two new games experienced a significant growth, rising from 0.8% of our total revenue in the nine months ended September 30, 2023 to 23.8% of our total revenue in the nine months ended September 30, 2024. We expect that the continued development and promotion of our new games will be the main driver of our revenue growth in the long term.

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## FINANCIAL INFORMATION

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### *Cost of Sales*

Our cost of sales decreased from RMB3,204.2 million for the nine months ended September 30, 2023 to RMB1,393.7 million for the nine months ended September 30, 2024, primarily due to (i) a decrease in commissions charged by third-party publishers which was in line with the decrease in revenue generated from games published by third parties such as Nine Realms: Sword & Immortals (九州仙劍傳), which has entered into a recession stage; and (ii) a decrease in commissions charged by game developers, as our licensed game, Nine Realms: Sword & Immortals (九州仙劍傳) recorded less gross billings for the nine months ended September 30, 2024 as compared to the same period in 2023.

### *Gross Profit and Gross Profit Margin*

Our gross profit decreased from RMB1,057.2 million for the nine months ended September 30, 2023 to RMB700.8 million for the nine months ended September 30, 2024. In particular, we experienced a decrease in gross profit in Sword Fantasy (天劍奇緣) during this period. This decrease was in line with the decrease in revenue generated by Sword Fantasy (天劍奇緣) due to the fluctuation of the game performance as impacted by the competition in the evolving game industry and our game promotion strategies. Meanwhile, in response to the competitive landscape and taking into account the game’s lifecycle, its future commercial prospects and our game portfolio development and promotion strategies, we adjusted our publishing approach for this game. We opted for more collaboration with third-party publishers, despite their higher commission rates and our corresponding lower gross profit, as a complement to our self-publishing model. In addition, we recorded a decrease in gross profit in Nine Realms: Sword & Immortals (九州仙劍傳), which was in line with the revenue decrease of this game as it entered into a recession stage.

Despite the decrease in gross profit, we recorded an increase in our gross profit margin from 24.8% for the nine months ended September 30, 2023 to 33.5% for the nine months ended September 30, 2024. The rise in our gross profit margin was mainly driven by the successful launch of our new games, including Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途). We primarily adopted self-publishing model for these two games, which was in line with our game operation strategies and allowed us to retain a higher gross profit margin.

### *Other Income and Gains*

Our other income and gains decreased from RMB19.9 million for the nine months ended September 30, 2023 to RMB14.4 million for the nine months ended September 30, 2024, mainly due to a decrease in other government grants as we only received a one-off subsidy from local government in Shanghai as incentive for our business development in the nine months ended September 30, 2023.



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## FINANCIAL INFORMATION

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### *Selling and Distribution Expenses*

Our selling and distribution expenses decreased from RMB700.0 million for the nine months ended September 30, 2023 to RMB612.4 million for the nine months ended September 30, 2024, mainly due to a decrease in promotion and advertising expenses. In the nine months ended September 30, 2024, we observed a shift in our game portfolio dynamics. New games showed promising performance, while our mature games encountered challenges in achieving additional growth. This prompted us to reassess our marketing and promotion strategies. As a result, we made a strategic decision to control our marketing expenditures on mature games, leading to the decrease in our promotion and advertising expenses for the nine months ended September 30, 2024.

### *Administrative Expenses*

Our administrative expenses stayed relatively stable at RMB34.9 million for the nine months ended September 30, 2023 and RMB35.9 million for the nine months ended September 30, 2024.

### *Research and Development Costs*

Our research and development expenses increased from RMB147.1 million for the nine months ended September 30, 2023 to RMB165.8 million for the nine months ended September 30, 2024, mainly due to (i) an increase in employee benefit expenses incurred by our R&D personnel; and (ii) an increase in research and design expenses incurred for our self-developed games in the pipeline.

### *Impairment Losses on Financial Assets, Net*

We recorded reversal of previous impairment losses on these financial assets of RMB1.5 million and RMB0.1 million for the nine months ended September 30, 2023 and 2024, respectively, primarily reflecting our assessment of recoverability of certain trade receivables.

### *Finance Costs*

Our finance costs increased from RMB2.0 million for the nine months ended September 30, 2023 to RMB3.4 million for the nine months ended September 30, 2024, primarily due to the increase in interest on bank borrowings in relation to our bank loans and our issuance of bank acceptance.

### *Income Tax Credit/(Expense)*

We had income tax expense of RMB15.1 million for the nine months ended September 30, 2023 and income tax credit of RMB58.0 million for the nine months ended September 30, 2024, primarily due to the significant increase in recognition of deferred tax assets in the nine months ended September 30, 2024.

### *Profit/(Loss) for the Period*

As a result of the foregoing, we recorded a profit for the period of RMB178.2 million for the nine months ended September 30, 2023, and a loss for the period of RMB47.2 million for the nine months ended September 30, 2024.

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## FINANCIAL INFORMATION

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### Year Ended December 31, 2023 Compared With Year Ended December 31, 2022

#### *Revenue*

Our revenue decreased from RMB5,675.1 million in 2022 to RMB5,327.1 million in 2023, primarily due to a decrease in revenue generated from our licensed game, Nine Realms: Sword & Immortals (九州仙劍傳), which entered into a relatively late stage of its lifecycle at the end of 2023. The decrease was also influenced by our shift of business focus to the promotion of self-developed games. The decrease was partially offset by (i) an increase in revenue generated from our self-developed game, Sword Fantasy (天劍奇緣), of which the AGBPPU constantly increased as a result of our continuous optimization of the game, and (ii) an increase in revenue generated from our newly launched self-developed games including Mysterious World: Spirit King (異界深淵:大靈王) and Sword Path of the Mountain and Sea (山海劍途), both of which were officially launched in 2023.

#### *Cost of Sales*

Our cost of sales decreased from RMB3,938.4 million in 2022 to RMB3,928.0 million in 2023, mainly due to (i) a decrease in commissions charged by distribution channels, as in late 2023 we adjusted our promotion strategies for Sword Fantasy (天劍奇緣), according to our assessment of the market responses to such game published by ourselves through distribution channels, and (ii) a decrease in commissions charged by game developers, primarily in relation to our licensed game Nine Realms: Sword & Immortals (九州仙劍傳). The decrease was partially offset by an increase in commissions charged by third-party publishers, primarily due to our strategic collaboration with a larger number of third-party publishers, who were entitled to a higher commission rate as incentives for the promotion of Sword Fantasy (天劍奇緣) to maximize its revenue generation potential.

#### *Gross Profit and Gross Profit Margin*

Our gross profit decreased from RMB1,736.7 million in 2022 to RMB1,399.1 million in 2023, primarily due to the decrease in our revenue outpacing the decrease in cost of sales in 2023. In particular, our gross profit recorded by Sword Fantasy (天劍奇緣) experienced a decline in 2023, primarily due to our strategic collaboration with a larger number of third-party publishers, who were entitled to a higher commission rate as incentives for the promotion of this game to maximize its revenue generation potential.

Our gross profit margin decreased from 30.6% in 2022 to 26.3% in 2023. Along with our adjustment of publishing model for Sword Fantasy (天劍奇緣) in late 2023, an increasing amount of commissions was charged by third-party publishers. We provided a higher commission rate to third-party publishers as incentives for the promotion of Sword Fantasy (天劍奇緣), aiming to utilize their networks to further boost the revenue generation capacity of this game. As a larger share of the revenue was allocated to commissions charged third-party publishers, a lower profit margin was witnessed in 2023.

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## FINANCIAL INFORMATION

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### *Other Income and Gains*

Our other income and gains increased from RMB11.0 million in 2022 to RMB23.5 million in 2023, mainly due to (i) an increase in other government grants as we received a one-off government subsidy from local government in Shanghai as incentive for our business development in 2023; (ii) an increase in bank interest income as our bank deposits increased in 2023; and (iii) an increase in advertising income that we received from a third party for providing advertising space in the game interface.

### *Selling and Distribution Expenses*

Our selling and distribution expenses decreased from RMB1,215.1 million in 2022 to RMB963.1 million in 2023, mainly due to a decrease in promotion and advertising expenses. In 2023, out of long-term business operation consideration, we controlled our marketing and promotion costs for some games that did not demonstrate strong performance as anticipated. The decrease was partially offset by an increase in employee benefit expenses incurred by our sales and marketing personnel, as a result of the increase in headcount of our sales and marketing team, in line with our strategy to prioritize self-publishing model in the long term.

### *Administrative Expenses*

Our administration expenses stayed relatively stable at RMB48.9 million in 2022 and RMB47.5 million in 2023.

### *Research and Development Costs*

Our research and development expenses increased from RMB159.8 million in 2022 to RMB210.0 million in 2023, mainly due to (i) an increase in employee benefit expenses incurred by our R&D team; and (ii) an increase in depreciation and amortization charges. The increase was partially offset by a decrease in research and design expenses, as we employed Wukong System (孫大聖系統) in 2023, allowing us to improve game design in a more efficient and cost-effective way.

### *Impairment Losses on Financial Assets, Net*

We had net impairment losses on financial assets of RMB7.4 million in 2022 and recorded reversal of impairment losses on these financial assets of RMB0.8 million in 2023, primarily due to the decrease in impairment losses related to our trade receivables, reflecting our assessment of recoverability of certain trade receivables.

## FINANCIAL INFORMATION

### *Finance Costs*

Our finance costs increased from RMB1.6 million in 2022 to RMB3.3 million in 2023, mainly due to (i) an increase in interest on lease liabilities in line with the increase in the balance of our lease liabilities; and (ii) an increase in interest on bank borrowings in relation to our bank loans and our issuance of bank acceptance.

### *Income Tax Credit/(Expense)*

We had income tax credit of RMB13.5 million in 2022 and income tax expense of RMB0.8 million in 2023, mainly due to the combined effect of an increase in current income tax and a decrease in deferred income tax in 2023.

### *Profit for the Year*

As a result of the foregoing, our profit for the year decreased from RMB328.2 million in 2022 to RMB197.1 million in 2023.

## DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	<u>As of December 31,</u>		<u>As of</u>
	<u>2022</u>	<u>2023</u>	<u>September 30,</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<u>2024</u>
			<i>RMB'000</i>
			<i>(unaudited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	4,935	17,011	13,767
Right-of-use assets	46,130	51,827	30,363
Other intangible assets	193	1,182	2,539
Prepayments, deposits and other receivables	16,686	19,073	25,843
Deferred tax assets	82,451	99,761	157,756
Investment in an associate	–	–	17,104
<b>Total non-current assets</b>	<u>150,395</u>	<u>188,854</u>	<u>247,372</u>

## FINANCIAL INFORMATION

	As of December 31,		As of
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	2024 <i>(unaudited)</i>
<b>Current assets</b>			
Trade receivables	283,804	129,308	71,987
Prepayments, deposits and other receivables	25,579	88,751	84,464
Contract costs	136,324	90,851	58,735
Financial assets at fair value through profit or loss	40,067	15,229	–
Amount due from a related party	–	–	10,050
Tax recoverable	462	462	562
Restricted cash	129	132,536	127,148
Cash and cash equivalents	<u>275,666</u>	<u>201,908</u>	<u>59,418</u>
<b>Total current assets</b>	<u>762,031</u>	<u>659,045</u>	<u>412,364</u>
<b>Current liabilities</b>			
Trade and bills payables	147,170	133,140	134,929
Other payables and accruals	231,359	167,916	133,821
Contract liabilities	179,944	119,321	85,631
Interest-bearing bank borrowings	15,019	78,526	52,134
Lease liabilities	14,155	12,762	9,835
Tax payable	11,914	14,182	9,926
Dividends payable	<u>102,210</u>	<u>56,210</u>	<u>35,210</u>
<b>Total current liabilities</b>	<u>701,771</u>	<u>582,057</u>	<u>461,486</u>
<b>Net current assets/(liabilities)</b>	<u>60,260</u>	<u>76,988</u>	<u>(49,122)</u>
<b>Total assets less current liabilities</b>	<u>210,655</u>	<u>265,842</u>	<u>198,250</u>
<b>Non-current liabilities</b>			
Lease liabilities	33,678	41,420	21,994
Contract liabilities	<u>6,154</u>	<u>5,544</u>	<u>4,666</u>
<b>Total non-current liabilities</b>	<u>39,832</u>	<u>46,964</u>	<u>26,660</u>
<b>Net assets</b>	<u>170,823</u>	<u>218,878</u>	<u>171,590</u>
<b>Equity attributable to owners of the Company</b>			
Reserves	<u>170,823</u>	<u>218,878</u>	<u>171,590</u>
<b>Total equity</b>	<u>170,823</u>	<u>218,878</u>	<u>171,590</u>

## FINANCIAL INFORMATION

### Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) leasehold improvements; (ii) office equipment; and (iii) motor vehicles. Our property, plant and equipment increased from RMB4.9 million as of December 31, 2022 to RMB17.0 million as of December 31, 2023, primarily as we purchased more office equipment and our leasehold improvements increased as a result of the decoration for our newly leased offices in 2023. Our property, plant and equipment decreased from RMB17.0 million as of December 31, 2023 to RMB13.8 million as of September 30, 2024, primarily due to the depreciation of the decoration for the newly leased offices in the first nine months of 2024.

### Right-of-Use Assets

Our right-of-use assets primarily represent leases of our office space. Our right-of-use assets increased from RMB46.1 million as of December 31, 2022 to RMB51.8 million as of December 31, 2023, mainly due to our new lease of office premises in April 2023. Our right-of-use assets decreased from RMB51.8 million as of December 31, 2023 to RMB30.4 million as of September 30, 2024, primarily due to the amortization of our leases in the first nine months of 2024.

### Trade Receivables

Our trade receivables mainly represent outstanding amounts due from third-party publishers, payment channels and distribution channels. The following table sets forth a breakdown of our trade receivables as of the dates indicated.

	As of December 31,		As of September 30, 2024
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Trade receivables	292,153	136,821	79,365
<i>Impairment</i>	<i>(8,349)</i>	<i>(7,513)</i>	<i>(7,378)</i>
<b>Total</b>	<b><u>283,804</u></b>	<b><u>129,308</u></b>	<b><u>71,987</u></b>

Our trade receivables decreased from RMB283.8 million as of December 31, 2022 to RMB129.3 million as of December 31, 2023, and further to RMB72.0 million as of September 30, 2024, generally in line with the changes in our revenue generated from our third-party published games. Additionally, we enhanced our collection of trade receivables from relevant parties during the Track Record Period, which also contributed to the overall decrease in our trade receivables.

Our Group applied a simplified approach for the impairment assessment of trade receivables. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime expected credit losses, which are determined based upon our historical credit loss experience, with reference to all reasonable and substantial information, including forward-looking information associated with debtors and the economic environment. Our impairment for trade receivables decreased from RMB8.3 million as of December 31, 2022 to RMB7.5 million as of December 31, 2023, primarily in line with the decrease in balance of trade receivables as of the same date. Our impairment for trade receivables stayed relatively stable at RMB7.4 million as of September 30, 2024.

## FINANCIAL INFORMATION

The following table sets forth our trade receivable turnover days for the years/period indicated.

	Year Ended December 31,		Nine Months Ended September 30,
	2022	2023	2024
Trade receivables turnover days <sup>(1)</sup>	13	14	13

*Note:*

- (1) Trade receivables turnover days were calculated using the average of the opening and closing balance of the trade receivables for the relevant year/period, divided by the corresponding revenue for the year, multiplied by 365 days for a year and 270 days for a nine-month period.

Our trade receivables turnover days stayed relatively stable at 13 days, 14 days and 13 days in 2022 and 2023 and the nine months ended September 30, 2024, respectively.

We typically grant our third-party publishers and/or distribution channels credit terms ranging from 30 to 90 days. The actual credit terms we offer to third-party publishers and/or distribution channels are decided on a case-by-case basis, considering factors including their market share, their credibility and the length of their business relationship with us. For distribution channels with larger market shares and higher credibility, we are generally subject to credit terms ranging from 60 to 90 days, but for third-party publishers with smaller market shares and shorter cooperation periods, we usually offer credit terms ranging from 30 to 60 days. In addition, we usually grant our payment channels credit terms ranging from one to four days. The following table sets forth an aging analysis of our trade receivables based on the invoice date and net of loss allowance as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 3 months	281,876	129,303	71,983
3 to 6 months	1,254	5	4
6 months to 1 year	674	–	–
	<b>283,804</b>	<b>129,308</b>	<b>71,987</b>

As of January 31, 2025, RMB67.6 million, or 94.0%, of our trade receivables (net of impairment losses) as of September 30, 2024 had been subsequently settled.

## FINANCIAL INFORMATION

### Prepayments, Deposits and Other Receivables

The following table sets forth a breakdown of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
<b>Non-current:</b>			
Prepayments	16,477	19,236	26,736
Deposits and other receivables	3,266	2,894	2,164
	19,743	22,130	28,900
<i>Less: Allowance for impairment</i>	<i>(3,057)</i>	<i>(3,057)</i>	<i>(3,057)</i>
	<u>16,686</u>	<u>19,073</u>	<u>25,843</u>
<b>Current:</b>			
Prepayments	1,705	21,903	23,537
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits	7,245	19,641	12,433
VAT receivables	3,780	20,189	16,621
Other receivables	19,172	31,868	36,372
	34,042	97,214	92,927
<i>Less: Allowance for impairment</i>	<i>(8,463)</i>	<i>(8,463)</i>	<i>(8,463)</i>
	<u>25,579</u>	<u>88,751</u>	<u>84,464</u>

Our non-current prepayments, deposits and other receivables primarily consist of (i) prepayments, mainly representing (a) prepaid royalty fees to third-party game developers and (b) prepaid renovation payments in relation to our newly leased office premises; and (ii) deposits and other receivables. Our non-current prepayments, deposits and other receivables increased from RMB16.7 million as of December 31, 2022 to RMB19.1 million as of December 31, 2023, and further to RMB25.8 million as of September 30, 2024, mainly due to the increase in our prepaid royalty fees to third-party game developers, which was in line with the expansion of our game portfolio.



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Our current prepayments, deposits and other receivables primarily consist of (i) prepayments, mainly including our (a) prepaid service fees to advertising and marketing agencies, and (b) prepaid utilities and office fees in relation to our daily operations; (ii) prepaid [REDACTED]; (iii) deposits to third-party suppliers; (iv) VAT receivables; and (v) other receivables. Our current prepayments, deposits and other receivables increased significantly from RMB25.6 million as of December 31, 2022 to RMB88.8 million as of December 31, 2023, primarily due to the increase in prepayments to advertising and marketing agencies in relation to marketing and promotion activities for our newly launched games, the increase in other receivables due from third-party game developers for the development of new games, and the increase in VAT receivables. Our current prepayments, deposits and other receivables decreased from RMB88.8 million as of December 31, 2023 to RMB84.5 million as of September 30, 2024, primarily due to the decrease in deposits to third-party suppliers, and the decrease in VAT receivables, partially offset by the increase in other receivables.

### Contract Costs

Our contract costs primarily represent deferred cost of obtaining a contract, including unamortized commissions charged by third-party publishers, distribution channels and third-party game developers. Our capitalized contract costs are amortized over the player relationship period on a systematic basis, which is consistent with the pattern of recognition of the associated revenue. Our contract costs decreased from RMB136.3 million as of December 31, 2022 to RMB90.9 million as of December 31, 2023 and further decreased to RMB58.7 million as of September 30, 2024, mainly due to the decreased revenue generated from games published by third parties.

### Investment in an Associate

Our investment in an associate primarily represented our share of net assets and goodwill on acquisition in our associated company, Zhongrong Huatai. We recorded investment in an associate of nil, nil and RMB17.1 million as of December 31, 2022 and 2023 and September 30, 2024, respectively. The following table sets forth a breakdown of investment in an associate as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Share of net assets	–	–	2,161
Goodwill on acquisition	–	–	14,943
<b>Total</b>	–	–	<b>17,104</b>

## FINANCIAL INFORMATION

Zhongrong Huatai was established in 2019 as a limited liability company in the PRC, with a registered capital of RMB12.5 million. Zhongrong Huatai primarily engages in mobile game operations, with a focus on mobile game development and publishing. On December 15, 2023, Chengdu Uni-Star Interactive entered into an equity investment agreement with the shareholder of Zhongrong Huatai, and agreed a capital injection of RMB20.0 million in Zhongrong Huatai. The transaction has been completed on January 1, 2024 and our Group acquired 20% of the equity interest in Zhongrong Huatai. As of September 30, 2024, we have paid the consideration of RMB20.0 million in full. Our Directors are of the view that we can cast “significant influence” on Zhongrong Huatai and consider it an associate of our Group. We are entitled the right to appoint one out of three directors to the board of Zhongrong Huatai in accordance with the equity investment agreement. Through the board representation, we are able to participate in the business operations and decision-making of Zhongrong Huatai.

### Cash and Cash Equivalents

As of December 31, 2022 and 2023, and September 30, 2024, our cash and cash equivalents amounted to RMB275.7 million, RMB201.9 million and RMB59.4 million, respectively. For details, see “— Liquidity and Capital Resources” in this section and Note 19 of the Accountants’ Report set out in Appendix IA to this document.

### Trade and Bills Payables

The following table sets forth a breakdown of our trade and bills payables as of the dates indicated.

	As at December 31,		As at September 30, 2024
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Trade payables to third parties	147,170	40,610	13,734
Bills payables	—	92,530	121,195
<b>Total</b>	<b>147,170</b>	<b>133,140</b>	<b>134,929</b>

Our trade payables to third parties primarily represent our share of gross billings due to third-party game developers for licensed games. In line with the revenue fluctuations of Nine Realms: Sword & Immortals (九州仙劍傳) during the Track Record Period, our trade payables to third parties decreased from RMB147.2 million as of December 31, 2022 to RMB40.6 million as of December 31, 2023 and further decreased to RMB13.7 million as of September 30, 2024.

We recorded bills payables of nil, RMB92.5 million and RMB121.2 million as of December 31, 2022 and 2023 and September 30, 2024, respectively. Since 2023, we have settled payables with our suppliers, mainly including advertising and marketing agencies by bills through bank acceptances. The bank acceptances that we issued usually bore a maturity period of around 180 days during the Track Record Period. For details regarding bills payable to our suppliers, see Note 20 to the Accountants’ Report set out in Appendix IA and Note 13 to the Unaudited Interim Condensed Consolidated Financial Information set out in Appendix IB to this document.

## FINANCIAL INFORMATION

Our trade payables are unsecured, non-interest-bearing and are normally settled on terms of 90 days. Our bills payables are secured and non-interest-bearing and are normally settled on terms of 180 days. The following table sets forth an aging analysis of our trade and bills payables based on the invoice date as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>
Within 3 months	82,432	120,801	122,167
3 months to 1 year	62,286	11,558	11,280
1 to 2 years	328	15	712
Over 2 years	2,124	766	770
<b>Total</b>	<b><u>147,170</u></b>	<b><u>133,140</u></b>	<b><u>134,929</u></b>

The following table sets forth our trade and bills payables turnover days for the years/period indicated.

	Year Ended December 31,		Nine Months
	2022	2023	Ended
			September 30,
			2024
Trade and bills payables turnover days <sup>(1)</sup>	11	13	26

*Note:*

- (1) Trade and bills payables turnover days were calculated using the average of the opening and closing balance of the trade payables for the relevant year/period, divided by the corresponding cost of sales for the year, multiplied by 365 days for a year and 270 days for a nine-month period.

Our trade and bills payables turnover days increased from 11 days in 2022 to 13 days in 2023, primarily as a result of the increasing number of bank acceptance that we issued to third-party suppliers, which generally bear a maturity period of around 180 days. The increasing number of bank acceptance also led to the increase of trade and bills payables turnover days to 26 days for the nine months ended September 30, 2024.

As of January 31, 2025, RMB12.3 million, or 9.1%, of our trade and bills payables as of September 30, 2024 had been subsequently settled.

## FINANCIAL INFORMATION

### Other Payables and Accruals

Our other payables and accruals primarily consist of (i) marketing and promotion services payables, representing payments due to advertising and marketing agencies; (ii) salaries and benefits payables to our employees; (iii) other tax payables, mainly including VAT payables and surcharges; and (iv) accruals and other payables, including accrued service fees and payables to third parties. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Marketing and promotion services payables	175,305	105,615	95,207
Salaries and benefits payables	30,496	38,704	26,454
Other tax payables	10,403	14,671	2,663
Accruals and other payables	15,155	8,926	9,497
<b>Total</b>	<b>231,359</b>	<b>167,916</b>	<b>133,821</b>

Our other payables and accruals decreased from RMB231.4 million as of December 31, 2022 to RMB167.9 million as of December 31, 2023, primarily due to the decrease in marketing and promotion services payables as we adjusted our marketing and promotion inputs for games that did not demonstrate strong performance as we anticipated out of long-term business operation consideration. Our other payables and accruals further decreased to RMB133.8 million as of September 30, 2024, primarily due to (i) a decrease in marketing and promotion services payables related to our prudent investments in marketing activities for games at early growth stages, (ii) a decrease in salaries and benefits payables to our employees and (iii) a decrease in other tax payables in line with our revenue fluctuations.

## FINANCIAL INFORMATION

### Contract Liabilities

Our contract liabilities primarily include (i) advanced receipt for our game licensing-out and distribution, which will be deducted when the third-party publishers would remit our portion of gross billings; and (ii) unamortized revenue from in-game virtual item sales in our mobile games, where there is still an implied obligation to be performed by us over the player relationship period. Our contract liabilities decreased from RMB179.9 million as of December 31, 2022 to RMB119.3 million as of December 31, 2023 and further to RMB85.6 million as of September 30, 2024, mainly due to the decrease in unamortized revenue from our game operation. The following table sets forth a breakdown of our contract liabilities as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
<b>Non-current</b>			
Advanced receipt for license and distribution	6,154	5,544	4,666
<b>Current</b>			
Advanced receipt for license and distribution	2,618	1,065	1,253
Unamortized revenue	177,326	118,256	84,378
<b>Total</b>	<b>179,944</b>	<b>119,321</b>	<b>85,631</b>

### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

Our principal use of cash during the Track Record Period was for working capital purposes as well as the development, publishing and operation of our mobile games. Our main source of liquidity has been generated from cash flow from operation. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank facilities and net [REDACTED] from the [REDACTED]. As of January 31, 2025, we had cash and cash equivalents of RMB84.3 million. Taking into account the financial resources available to us, including cash flow from operating activities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

## FINANCIAL INFORMATION

### Cash Flows

The following table sets forth our consolidated statements of cash flows for the years/periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash generated from operations before movements in working capital	332,714	216,132	205,224	(89,745)
Changes in working capital	<u>2,536</u>	<u>(126,609)</u>	<u>(103,069)</u>	<u>32,908</u>
Cash generated from operations	335,250	89,523	102,155	(56,837)
Interest received	717	3,430	2,280	2,729
Income tax paid	<u>(32)</u>	<u>(15,833)</u>	<u>(10,977)</u>	<u>(4,360)</u>
Net cash flows from/(used in) operating activities	335,935	77,120	93,458	(58,468)
Net cash flows used in investing activities	<u>(36,467)</u>	<u>(1,412)</u>	<u>(51,386)</u>	<u>(24,668)</u>
Net cash flows used in financing activities	<u>(55,189)</u>	<u>(148,843)</u>	<u>(108,489)</u>	<u>(59,627)</u>
Net increase/(decrease) in cash and cash equivalents	244,279	(73,135)	(66,417)	(142,763)
Cash and cash equivalents at beginning of year/period	29,039	275,666	275,666	201,908
Effect of foreign exchange rate changes, net	<u>2,348</u>	<u>(623)</u>	<u>(513)</u>	<u>273</u>
<b>Cash and cash equivalents at end of year/period</b>	<b><u>275,666</u></b>	<b><u>201,908</u></b>	<b><u>208,736</u></b>	<b><u>59,418</u></b>

### *Net Cash Flows (Used In)/Generated From Operating Activities*

For the nine months ended September 30, 2024, we used RMB56.8 million in cash in operating activities. The difference with RMB105.2 million of loss before income tax was mainly the result of adding back non-cash items such as RMB8.8 million of depreciation of right-of-use assets, RMB3.9 million of depreciation of property, plant and equipment, RMB3.4 million of finance costs and RMB2.9 million of share of loss of an associate. In addition, a total of RMB32.9 million of cash was released from our working capital as our trade receivables decreased by RMB57.5 million and our contract costs decreased by RMB32.6 million, partially offset by a decrease in contract liabilities of RMB34.6 million and a decrease in other payables and accruals of RMB34.1 million.

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## FINANCIAL INFORMATION

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In 2023, we generated RMB89.5 million in cash from operating activities. The difference with RMB197.9 million of profit before income tax was mainly the result of adding back non-cash items such as RMB13.9 million of depreciation of right-of-use assets, RMB6.3 million of depreciation of property, plant and equipment and RMB3.3 million of finance costs. In addition, a total of RMB126.6 million of cash was used for our working capital as our restricted cash increased by RMB132.4 million, our prepayments, deposits and other receivables increased by RMB62.2 million, our contract liabilities decreased by RMB61.2 million and our other payables and accruals decreased by RMB58.4 million, partially offset by a decrease of RMB155.2 million in trade receivables and a decrease of RMB45.5 million in contract costs.

In 2022, we generated RMB335.3 million in cash from operating activities. The difference with RMB314.7 million of profit before income tax was mainly the result of adding back non-cash items such as RMB7.4 million of net impairment of trade receivables, RMB6.4 million of depreciation of right-of-use assets, RMB3.4 million of depreciation of property, plant and equipment, and RMB1.6 million of finance costs. In addition, a total of RMB2.5 million of cash was released from our working capital as our contract liabilities increased by RMB111.5 million, our other payables and accruals increased by RMB89.8 million, our trade and bills payables increased by RMB69.5 million, and our restricted cash decreased by RMB17.5 million, partially offset by an increase of RMB182.1 million in our trade receivables, an increase of RMB86.4 million in contract costs and an increase of RMB17.3 million in prepayments, deposits and other receivables.

### *Net Cash Flows Used in Investing Activities*

For the nine months ended September 30, 2024, our net cash flows used in investing activities was RMB24.7 million, primarily as a result of our purchases of financial assets at fair value through profit or loss of RMB149.0 million and our acquisition of an associate of RMB17.5 million, partially offset by our disposal of financial assets at fair value through profit or loss of RMB164.5 million.

In 2023, our net cash flows used in investing activities was RMB1.4 million, primarily as a result of our purchase of financial assets at fair value through profit or loss of RMB925.3 million, our purchase of items of property, plant and equipment of RMB14.5 million and the addition to other intangible assets of RMB10.5 million, partially offset by our disposal of financial assets at fair value through profit or loss of RMB952.0 million.

## FINANCIAL INFORMATION

In 2022, our net cash flows used in investing activities was RMB36.5 million, primarily as a result of our purchases of financial assets at fair value through profit or loss of RMB130.0 million and our purchase of items of property, plant and equipment of RMB7.8 million, partially offset by the disposal of financial assets at fair value through profit or loss of RMB90.1 million and repayment of loans from a related party of RMB16.0 million.

### *Net Cash Flows Used in Financing Activities*

For the nine months ended September 30, 2024, our net cash flows used in financing activities was RMB59.6 million, primarily as a result of our repayments of bank borrowings of RMB79.1 million, our dividends paid of RMB21.0 million, and principal portion of lease payments of RMB8.5 million, partially offset by new bank borrowings of RMB52.3 million.

In 2023, our net cash flows used in financing activities was RMB148.8 million, primarily as a result of our dividends paid of RMB196.0 million, repayment of bank borrowings of RMB15.0 million, and principal portion of lease payments of RMB11.6 million, partially offset by new bank borrowings of RMB79.1 million.

In 2022, our net cash flows used in financing activities was RMB55.2 million, primarily as a result of our dividends paid of RMB50.0 million, repayment of bank borrowings of RMB10.0 million, and principal portion of lease payments of RMB6.5 million, partially offset by new bank borrowings of RMB15.0 million.

### **Net Current Assets/Liabilities**

	<u>As of December 31,</u>		<u>As of</u>	<u>As of</u>
	<u>2022</u>	<u>2023</u>	<u>September 30,</u>	<u>January 31,</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Current assets</b>				
Trade receivables	283,804	129,308	71,987	72,656
Prepayments, deposits and other receivables	25,579	88,751	84,464	83,905
Contract costs	136,324	90,851	58,735	41,715
Financial assets at fair value through profit or loss	40,067	15,229	–	–
Amount due from a related party	–	–	10,050	9,900
Tax recoverable	462	462	562	562
Restricted cash	129	132,536	127,148	228,831
Cash and cash equivalents	<u>275,666</u>	<u>201,908</u>	<u>59,418</u>	<u>84,320</u>
<b>Total current assets</b>	<b><u>762,031</u></b>	<b><u>659,045</u></b>	<b><u>412,364</u></b>	<b><u>521,889</u></b>



## FINANCIAL INFORMATION

	As of December 31,		As of	As of
	2022	2023	September 30, 2024	January 31, 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
<b>Current liabilities</b>				
Trade and bills payables	147,170	133,140	134,929	224,819
Other payables and accruals	231,359	167,916	133,821	151,084
Contract liabilities	179,944	119,321	85,631	60,401
Interest-bearing bank borrowings	15,019	78,526	52,134	99,740
Lease liabilities	14,155	12,762	9,835	10,037
Tax payable	11,914	14,182	9,926	9,761
Dividends payable	102,210	56,210	35,210	15,610
<b>Total current liabilities</b>	<b><u>701,771</u></b>	<b><u>582,057</u></b>	<b><u>461,486</u></b>	<b><u>571,452</u></b>
<b>Net current assets/(liabilities)</b>	<b><u>60,260</u></b>	<b><u>76,988</u></b>	<b><u>(49,122)</u></b>	<b><u>(49,563)</u></b>

Our net current assets increased from RMB60.2 million as of December 31, 2022 to RMB77.0 million as of December 31, 2023, primarily due to (i) the increase in restricted cash, mainly as a result of the increase in pledged deposits from bills payables associated with our issuance of bank acceptance; (ii) the increase in current prepayments, deposits and other receivables, primarily due to the increase in prepayments to advertising and marketing agencies in relation to marketing and promotion activities for our newly launched games, the increase in other receivables due from third-party game developers for the development of new games, and the increase in VAT receivables; (iii) the decrease in other payables and accruals, primarily due to the decrease in marketing and promotion services payables as we adjusted our marketing and promotion inputs for games that did not demonstrate strong performance as we anticipated out of long-term business operation consideration; and (iv) the decrease in current contract liabilities, in particular, the unamortized revenue associated with our game marketing and operation, partially offset by the increase in interest-bearing bank borrowings that we borrowed to support our business operation and development. As of September 30, 2024, we recorded net current liabilities of RMB49.1 million, primarily due to (i) the decrease in cash and cash equivalents, mainly as we recorded less cash generated from operating activities; (ii) the decrease in trade receivables, mainly in line with the decrease in our revenue generated from our third-party published games and due to our enhanced collection of trade receivables; and (iii) the decrease in contract costs due to the decreased revenue generated from our third-party published games, partially offset by (i) the decrease in the current portion of our contract liabilities, due to the decrease in unamortized revenue associated with our game marketing and operation; (ii) the decrease in other payables and accruals; (iii) the decrease in interest-bearing bank borrowings; (iv) and the decrease in dividends payable. Our net current liabilities increased to RMB49.6 million as of January 31, 2025, primarily due to (i) the increase in interest-bearing bank borrowings that we borrowed to support our business operation and development, and (ii) the increase in trade and bills payables due to third-party advertising and marketing agencies, partially offset by the increase in restricted cash in relation to our issuance of bank acceptance.

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## FINANCIAL INFORMATION

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Our net assets increased from RMB170.8 million as of December 31, 2022 to RMB218.9 million as of December 31, 2023, primarily as we recorded total comprehensive income for the year of RMB198.1 million, which was offset by the dividend declared by subsidiaries to the then equity holders of RMB150.0 million. As of September 30, 2024, our net assets amounted to RMB171.6 million, primarily as we recorded total comprehensive loss for the period of RMB47.3 million. For details of the equity movement of our Group, see “Consolidated Statements of Changes in Equity” to the Accountants’ Report set out in Appendix IA and “Interim Condensed Consolidated Statement of Changes in Equity” to Unaudited Interim Condensed Consolidated Financial Information set out in Appendix IB to this document.

Although we had net current liabilities during the Track Record Period, our Directors believe that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document, taking into account the financial resources available to us, including internally generated funds, the [REDACTED] from the [REDACTED] and the available banking and other facilities. Details of these factors are set out below.

- *Cash flow generated from operations.* As we optimize our game portfolio and cost structure, increase sales of higher-margin in-game virtual items, and continue to grow our business, we expect to generate a steady inflow of cash from operations in the foreseeable future, which will be applied to our working capital.
- *Bank loans and facilities.* Historically, we have been able to obtain our bank borrowings if needed, including short-term working capital loans to support our cash needs. We do not foresee any impediment in continuing to do so in the future. In addition, we plan to negotiate with banks to restructure our current short-term bank borrowings by obtaining better terms of loans and take systematic steps to restructure the composition of our short-term and long-term borrowings. As of January 31, 2025, we had unutilized and unrestricted banking facilities of RMB85.0 million.
- [REDACTED] from the [REDACTED]. We expect to receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED] in connection with the [REDACTED], and assuming the [REDACTED] being not exercised and an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] stated in this document.
- *Stringent cash management.* We closely monitor and manage our cash position and cash requirements to ensure that we have sufficient working capital for our operations. Our finance department is responsible for managing our working capital and the collection of our receivables and payables settlement. We review our cash position and cash requirements on a weekly basis to determine the usage and allocation of cash in our operations, optimize our capital structure and meet our working capital needs. Based on our weekly cash requirements, we will manage our receivables and payables settlement schedule. We also prepare a cash flow projection for the next 12 months on a monthly rolling basis to ensure our long-term funding.

## FINANCIAL INFORMATION

### INDEBTEDNESS

Our indebtedness mainly included lease liabilities and interest-bearing bank borrowings during the Track Record Period. Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Except as disclosed in the following table, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of January 31, 2025. After due and careful consideration, our Directors confirm that there had been no material adverse change in our indebtedness since January 31, 2025 and up to the Latest Practicable Date. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	<u>As of December 31,</u>		<u>As of</u>	<u>As of</u>
	<u>2022</u>	<u>2023</u>	<u>September 30,</u>	<u>January 31,</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<u>2024</u>	<u>2025</u>
			<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Non-current</b>				
Lease liabilities	33,678	41,420	21,994	19,062
<b>Current</b>				
Lease liabilities	14,155	12,762	9,835	10,037
Interest-bearing bank borrowings	15,019	78,526	52,134	99,740
<b>Total</b>	<b><u>62,852</u></b>	<b><u>132,708</u></b>	<b><u>83,963</u></b>	<b><u>128,839</u></b>

Our lease liabilities amounted to RMB47.8 million, RMB54.2 million, RMB31.8 million, and RMB29.1 million as of December 31, 2022 and 2023, September 30, 2024 and January 31, 2025, respectively, which were primarily in relation to the properties we leased for office premises. For details, see “— Discussion of Certain Selected Items From the Consolidated Statements of Financial Position — Right-of-Use Assets” in this section.

We had interest-bearing bank borrowings amounting to RMB15.0 million, RMB78.5 million, RMB52.1 million and RMB99.7 million, as of December 31, 2021, 2022 and 2023, September 30, 2024 and January 31, 2025, respectively, which were borrowed primarily to fund our working capital and support our daily business operations.

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## FINANCIAL INFORMATION

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As of December 31, 2022, we had bank borrowings of RMB15.0 million, of which RMB15.0 million was guaranteed by Mr. Wu Shuchao (the former legal representative of Shanghai Yuanxi), Mr. Xiao Jian (the legal representative of Shanghai Jushi) and Ms. Guo, Shanghai Jushi and Shanghai Qunong, and an independent third-party guarantee company, namely Chengdu SME Financing Guarantee Co., Ltd., with an annual guarantee rate of 2%.

As of December 31, 2023, we had bank borrowings of RMB78.5 million, of which RMB10.0 million was guaranteed by Mr. Wu Shuchao, Shanghai Jushi, Shanghai Qunong and Shanghai Yuanxi, and an independent third-party guarantee company, namely Chengdu SME Financing Guarantee Co., Ltd., with an annual guarantee rate of 2.5%; RMB5.0 million was guaranteed by Ms. Guo; and RMB38.8 million was guaranteed by the pledge of our deposits of RMB39.1 million.

As of September 30, 2024, we had bank borrowings of RMB52.1 million, of which RMB16.8 million was guaranteed by Shanghai Qunong, Shanghai Yuanxi and Chengdu Uni-star, and an independent third-party guarantee company, namely Chengdu SME Financing Guarantee Co., Ltd., with an annual guarantee rate of 2.5%; and RMB5.6 million was guaranteed by the pledge of our deposits of RMB5.9 million. As of September 30, 2024, guarantees on bank borrowings by Ms. Guo had been fully released.

For details, see Note 22 to the Accountants’ Report set out in Appendix IA and Note 14 to Unaudited Interim Condensed Consolidated Financial Information set out in Appendix IB to this document.

### CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2022 and 2023 and September 30, 2024. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions. For details, see Note 29 to the Accountants’ Report in Appendix IA and Note 19 to Unaudited Interim Condensed Consolidated Financial Information in Appendix IB to this document. During the Track Record Period, our related party transactions mainly represented short-term loans to our shareholders. The following table sets forth a summary of our transactions with related parties during the Track Record Period.

## FINANCIAL INFORMATION

### Repayment of Loans From A Related Party

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Chengdu Yicai Enterprise Management Center (Limited Partnership)	16,000	—	—	—
<b>Total</b>	<u>16,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

### Interest Income From A Related Party

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Chengdu Yicai Enterprise Management Center (Limited Partnership)	175	—	—	—

### Art Design Fee

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Zhongrong Huatai	—	—	—	5,943

### Loans Provided to A Related Party

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Zhongrong Huatai	—	—	—	10,050

## FINANCIAL INFORMATION

### Outstanding Balances With Related Parties

	As of December 31,		As of
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
<b>Prepayments, Deposits and Other</b>			
<b>Receivables</b>			
Zhongrong Huatai – trade	–	–	32,928
<b>Amount Due From A Related Party</b>			
Zhongrong Huatai – non-trade	–	–	10,050
<b>Dividends payable</b>			
Chengdu Liangyan Enterprise Management Center (Limited Partnership)	41,146	–	–
Chengdu Yicai Enterprise Management Center (Limited Partnership)	33,541	31,808	15,807
Chengdu Beiyu Network Technology Co., Ltd.	17,071	–	–

As of September 30, 2024, we had prepayments, deposits and other receivables due from Zhongrong Huatai of approximately RMB32.9 million, which was unsecured and trade in nature, and primarily comprised licensing fees, advanced payment of share of revenue which anticipated to be later generated from the games developed by Zhongrong Huatai and prepaid art design fee. As of September 30, 2024, we had amount due from Zhongrong Huatai of approximately RMB10.1 million, which was unsecured and non-trade in nature, and primarily represented our borrowings to Zhongrong Huatai to support its business development. Such borrowing was subject to prevailing bank rate for one-year loan at maturity date and repayable within one year. We currently expect that such amount will be fully settled before the [REDACTED].

As of September 30, 2024, we had dividends payable of approximately RMB15.8 million to Chengdu Yicai Enterprise Management Center (Limited Partnership). As of the Latest Practicable Date, such amount has been fully settled.

Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm’s length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

## FINANCIAL INFORMATION

### CAPITAL EXPENDITURE

In 2022, 2023, and the nine months ended September 30, 2024, our capital expenditures primarily consisted of purchases of items of property, plant and equipment, and addition to other intangible assets, which amounted to RMB12.6 million, RMB25.0 million and RMB12.6 million, respectively. We funded these expenditures with cash generated from our operations. We plan to fund our future capital expenditures with our cash from operating activities.

### COMMITMENTS

#### Capital Commitments

Our capital commitments mainly include purchase of leasehold improvement and purchase of patents and licenses. As of December 31, 2022 and 2023 and September 30, 2024, we had capital expenditure contracted for but not yet incurred of RMB6.2 million, RMB1.8 million and RMB1.4 million, respectively. The following table sets forth a breakdown of our capital commitments as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Contracted for but not yet incurred</b>			
Purchase of leasehold improvement	1,680	729	280
Purchase of patents and licenses	4,500	1,100	1,100
<b>Total</b>	<b><u>6,180</u></b>	<b><u>1,829</u></b>	<b><u>1,380</u></b>

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratio as of the dates and for the years/period indicated.

	As of/Year Ended December 31,		As of/ For the Nine Months Ended September 30,
	2022	2023	September 30, 2024
	Gross profit margin <sup>(1)</sup>	30.6%	26.3%
Current ratio <sup>(2)</sup>	1.1	1.1	0.9
Return on equity <sup>(3)</sup>	401.0%	101.2%	N/A <sup>(5)</sup>
Return on total assets <sup>(4)</sup>	53.9%	22.4%	N/A <sup>(5)</sup>

*Notes:*

- (1) Gross profit margin equals to gross profit for the year/period divided by revenue for the year/period, multiplied by 100%.
- (2) Current ratio equals to current assets divided by current liabilities as of the same date.
- (3) Return on equity was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (4) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Return on equity and return on total assets are calculated on a full year basis.

### Gross Profit Margin

For details of our gross profit margin during the Track Record Period, see “— Results of Operations” in this section.

### Current Ratio

Our current ratio stayed stable at 1.1 as of December 31, 2022 and 2023, respectively and decreased to 0.9 as of September 30, 2024. For details of our analysis, see “— Liquidity and Capital Resources — Net Current Assets/Liabilities” in this section.

### Return on Equity

Our return on equity decreased from 401.0% in 2022 to 101.2% in 2023, primarily in line with the decrease in our net profit for the year.



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## FINANCIAL INFORMATION

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### Return on Total Assets

Our return on total assets decreased from 53.9% in 2022 to 22.4% in 2023, primarily in line with the decrease in our net profit for the year.

### MARKET RISK DISCLOSURE

Our principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from our operations.

The main risks arising from our financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Our Directors review and agree policies for managing each of these risks and they are summarized below.

#### Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing bank borrowings. For details of the interest rates and terms of repayments of the bank borrowings, see Note 22 to the Accountants’ Report in Appendix IA and Note 14 to Unaudited Interim Condensed Consolidated Financial Information in Appendix IB to this document. Given that the interest rate for the interest-bearing bank borrowings is fixed, the exposure to interest rate risk is considered to be not material for us as of December 31, 2022 and 2023 and September 30, 2024.

#### Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units’ functional currencies. We seek to limit our exposure to foreign currency risk by minimizing our net foreign currency position.

#### Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. Our maximum exposure to credit risk is the carrying amounts of trade receivables, financial assets included in prepayments, deposits and other receivables, restricted cash and cash and cash equivalents.

We consider the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the Track Record Period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. We consider available, reasonable, and supportive forward-looking information.

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## FINANCIAL INFORMATION

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For further quantitative data in respect of our exposure to credit risk arising from trade receivables, see Note 16 to the Accountants’ Report in Appendix IA and Note 11 to Unaudited Interim Condensed Consolidated Financial Information in Appendix IB to this document.

Since we trade only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within us as the customer bases of our trade receivables are widely dispersed.

### **Liquidity Risk**

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank borrowings. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### **DIVIDENDS**

Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. Any declaration and payment of dividends will be subject to our Articles and the Cayman Companies Act. We will review our dividend policy from time to time. Our Board may declare dividends in the future after taking into account factors, including results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time.

Pursuant to the resolutions of the shareholders’ meetings on April 29, 2022 and November 3, 2022, Chengdu Uni-Star Interactive, one of our subsidiaries, declared dividends of RMB40.0 million and RMB112.4 million to its then equity holders, respectively. We have settled RMB146.9 million for such dividends, of which RMB146.8 million was paid in cash and RMB175.0 thousand was offset against an amount due from a then equity holder as of September 30, 2024.

Pursuant to the resolution of the shareholders’ meeting on July 4, 2023, Chengdu Uni-Star Interactive declared a dividend of RMB150.0 million to its then equity holders and RMB120.2 million has been settled as of September 30, 2024. We expect to settle the remaining payment by cash using our internal resources.

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## FINANCIAL INFORMATION

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We believe that the distribution of the dividends will not have a material impact on the sufficiency of our working capital after the [REDACTED] and we will be able to maintain sufficient funds to meet our working capital requirements and debt obligations. Our historical declarations of dividends may not reflect our future declarations of dividends.

We are a company incorporated in the Cayman Islands, and any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Act. Subject to the Cayman Companies Act and the Articles, we in general meeting may declare dividends, but no dividends shall exceed the amount recommended by our Board. No dividend may be declared or paid other than out of our profits and reserves lawfully available for distribution, including share premium.

Our ability to declare and pay dividends will depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Pursuant to PRC laws, dividends shall be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises’ registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

### DISTRIBUTABLE RESERVES

As of September 30, 2024, our Company did not have any distributable reserves.

[REDACTED]

[REDACTED] in relation to the [REDACTED] are estimated to be approximately RMB[REDACTED] (including [REDACTED]), at the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED]), and assuming the [REDACTED] is not exercised, which comprise: (i) [REDACTED] expenses of RMB[REDACTED]; and (ii) [REDACTED] related expenses of RMB[REDACTED], which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[REDACTED]; and (b) other fees and expenses of RMB[REDACTED]. As of September 30, 2024, we incurred a total of RMB[REDACTED] in [REDACTED], among which RMB[REDACTED] were recognized in our consolidated statement of comprehensive income, and RMB[REDACTED] were recognized in the consolidated statement of financial position to be accounted for as a deduction from equity upon [REDACTED].

We estimate that additional [REDACTED] of approximately RMB[REDACTED] (including [REDACTED] of approximately RMB[REDACTED], assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per

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## FINANCIAL INFORMATION

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[REDACTED] (being the mid-point of the [REDACTED])) will be incurred by our Company, approximately RMB[REDACTED] of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] of which is attributable to the issue of shares and will be deducted from equity upon [REDACTED]. Our [REDACTED] as a percentage of gross [REDACTED] is [REDACTED]%, at an [REDACTED] of HK\$[REDACTED] per Share, and assuming the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

[REDACTED]

## **FINANCIAL INFORMATION**

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[REDACTED]

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial, operational or prospects since September 30, 2024, being the latest balance sheet date of our consolidated financial statements as set out in Unaudited Interim Condensed Consolidated Financial Information in Appendix IB to this document.

### **IMPACT OF COVID-19 ON OUR OPERATIONS**

Since late 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. The pandemic did not cause any material challenges to our financial performance and business operations during the Track Record Period and up to the Latest Practicable Date. We will continue to pay close attention to the development of the COVID-19 pandemic and dedicate resources to take actions to minimize any adverse impact therefrom.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF 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.

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## FUTURE PLANS AND USE OF [REDACTED]

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### FUTURE PLANS AND PROSPECTS

For details of our future plans, see “Business — Our Strategies” in this document.

### USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED] in connection with the [REDACTED], and assuming the [REDACTED] being not exercised and an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] stated in this document. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the high end of the indicative [REDACTED], the [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the low end of the indicative [REDACTED], the net [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED].

Assuming an [REDACTED] at the mid-point of the [REDACTED], we currently intend to apply these [REDACTED] for the following purposes:

- [REDACTED]%, or approximately HK\$[REDACTED], will be used to strengthen our R&D capabilities and diversify our game portfolio as well as broaden our product range to capture new market opportunities. Specifically:
  - [REDACTED]%, or approximately HK\$[REDACTED], will be used to (i) increase our investment in developing new games of mature genres we have delved into such as ARPG games to enable continuous iteration and innovation of such games; and (ii) expand into games of new genres including but not limited to SLG, Card games and simulation games to expand our game portfolio. As of the Latest Practicable Date, we had a game pipeline of 18 games, consisting of 15 self-developed games and three licensed games. We will continue to iterate, innovate and develop new games with immersive gameplay, attractive storylines, and advanced graphics. By developing more games of different genres, we can increase our chances of creating a blockbuster hit.
  - [REDACTED]%, or approximately HK\$[REDACTED], will be used to strengthen our engine development team by hiring engine development engineers. A game engine is a software framework primarily designed to create and develop games. By hiring more engine development talents, we plan to upgrade and iterate our game engines to improve our R&D efficiency.

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## FUTURE PLANS AND USE OF [REDACTED]

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- [REDACTED]%, or approximately HK\$[REDACTED], will be used for our existing projects under development. We currently have several projects under development as we plan to launch five self-developed games in 2025, and seven in 2026, respectively. For details, see “Business — Our Games — Our Game Pipeline” in this document.
  
- [REDACTED]%, or approximately HK\$[REDACTED], will be used to strengthen our game publishing and operation capabilities, enhance our marketing efficiency, and expand our player base in China. We plan to attract games users and expand player community through purchasing traffic across multiple online channels, including Douyin, Toutiao, and other platforms. Our strategies will include (i) creating high-quality marketing materials like game trailers, screenshots, and posters, (ii) engaging with the game community and players to establish a good brand image and user reputation, (iii) collaborating with other relevant brands or companies in fields such as music, film, sports, and celebrities to conduct joint promotions and expand our game’s influence and name recognition, and (iv) implementing data-driven marketing strategies by analyzing game data and user behavior to understand players’ preferences and needs and devising more precise and effective marketing plans. Through these measures, we aim to diversify our marketing activities, increase brand awareness and loyalty, attract a wider user base, and improve marketing and promotion efficiency.
  
- [REDACTED]%, or approximately HK\$[REDACTED], will be used to strengthen our AI and IT infrastructure and technology innovation. Specifically:
  - [REDACTED]%, or approximately HK\$[REDACTED], will be used to improve our analytics tools and systems to advance our data analysis capabilities. We plan to increase cloud service expenditures to better support our technology platforms, including the Wukong System, Shenji System, Juliang System, and Zhuge System, to continuously enhance the efficiency of our data analysis systems.
  
  - [REDACTED]%, or approximately HK\$[REDACTED], will be used to recruit additional technical engineers, among others, AI algorithm and cloud computing engineers, data mining engineers, big data engineers, and GPT-related developers. Our goal is to stay ahead in the ever-evolving mobile game industry by bringing in new talents to enhance our technology capabilities. These engineers will help us to develop and implement new technologies that will improve the performance and functionality of our systems.

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## FUTURE PLANS AND USE OF [REDACTED]

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- [REDACTED]%, or approximately HK\$[REDACTED], will be used to support our overall strategy of expanding into overseas markets and developing our overseas operations. Specifically:
  - [REDACTED]%, or approximately HK\$[REDACTED], will be used to fund marketing and promotion of our games in overseas markets, including traffic acquisition on platforms such as Facebook and TikTok, and cooperation with digital marketing agencies. We also plan to strengthen our relationship with overseas player communities and player acquisition channels, such as iOS App Store, Samsung, One Store and Google Play.
  - [REDACTED]%, or approximately HK\$[REDACTED], will be used for the expansion of our overseas publishing team to publish and operate overseas versions of some of our existing games and to release new games in overseas markets through self-publishing model. In particular, we plan to recruit additional employees with overseas development and publishing experience.
- [REDACTED]%, or approximately HK\$[REDACTED], will be used to pursue strategic alliances and acquisitions of upstream and downstream participants in the value chain of the mobile game industry. These may include game development studios, marketing technology companies, and game developers with a proven track record of developing high-quality games. Our investment plans will be evaluated based on multiple factors, including the target company’s business performance, competitive advantages and R&D capabilities, the expertise of the management team, the expected returns, and the risks involved. As of the Latest Practicable Date, we had no specific acquisition plans, nor had we identified any specific targets. We expect to seek such collaboration opportunities in a sustainable and prudent manner after the [REDACTED].
- [REDACTED]%, or approximately HK\$[REDACTED], will be used for our general working capital and general corporate purposes.

The above allocation of the net [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] stated in this document.

If the [REDACTED] is exercised in full, the net [REDACTED] that we will receive will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]). In the event that the [REDACTED] is exercised in full, we intent to apply the additional net [REDACTED] to the above purposes in the proportions stated above.



## **FUTURE PLANS AND USE OF [REDACTED]**

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To the extent that the net [REDACTED] from the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, so long as it is deemed to be in the best interests of the Company, we may deposit such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions). We will issue an appropriate announcement if there is any material change to the above use of [REDACTED].

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]



**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

**ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UNI-STAR INTERACTIVE HOLDING LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

**Introduction**

We report on the historical financial information of Uni-Star Interactive Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages IA-4 to IA-59, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2022 and 2023 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2022 and 2023, and the statements of financial position of the Company as at 31 December 2022 and 2023 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages IA-4 to IA-59 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the [REDACTED] (the “[REDACTED]”).

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants’ responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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**APPENDIX IA**

**ACCOUNTANTS’ REPORT**

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group as at 31 December 2022 and 2023 and the financial position of the Company as at 31 December 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

*Dividends*

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Relevant Periods.



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**APPENDIX IA**

**ACCOUNTANTS' REPORT**

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*No historical financial statements for the Company*

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]

*Certified Public Accountants*

Hong Kong

[Date]

**I. HISTORICAL FINANCIAL INFORMATION**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “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 IA

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2022	2023
		RMB'000	RMB'000
<b>REVENUE</b> . . . . .	5	5,675,082	5,327,103
Cost of sales . . . . .		(3,938,421)	(3,928,006)
<b>Gross profit</b> . . . . .		1,736,661	1,399,097
Other income and gains . . . . .	5	11,017	23,521
Selling and distribution expenses . . . . .		(1,215,082)	(963,139)
Administrative expenses . . . . .		(48,942)	(47,536)
Research and development costs . . . . .		(159,776)	(210,012)
Impairment losses on financial assets, net . . . . .	6	(7,407)	804
Other expenses . . . . .		(172)	(1,555)
Finance costs . . . . .	7	(1,555)	(3,256)
PROFIT BEFORE TAX . . . . .	6	314,744	197,924
Income tax credit/(expense) . . . . .	10	13,490	(792)
<b>PROFIT FOR THE YEAR AND PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> . . . . .		<u>328,234</u>	<u>197,132</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations . . . . .		2,089	932
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods . . . . .		<u>2,089</u>	<u>932</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of the Company . . . . .		—	(9)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods . . . . .		<u>—</u>	<u>(9)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b> . . . . .		<u>2,089</u>	<u>923</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> . . . . .		<u>330,323</u>	<u>198,055</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted . . . . .	12	<u>N/A</u>	<u>N/A</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2022</b>	<b>2023</b>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment . . . . .	13	4,935	17,011
Right-of-use assets . . . . .	14(a)	46,130	51,827
Other intangible assets . . . . .	15	193	1,182
Prepayments, deposits and other receivables . . . . .	17	16,686	19,073
Deferred tax assets . . . . .	23	82,451	99,761
Total non-current assets . . . . .		<u>150,395</u>	<u>188,854</u>
<b>CURRENT ASSETS</b>			
Trade receivables . . . . .	16	283,804	129,308
Prepayments, deposits and other receivables . . . . .	17	25,579	88,751
Contract costs . . . . .	17	136,324	90,851
Financial assets at fair value through profit or loss . . . . .	18	40,067	15,229
Tax recoverable . . . . .		462	462
Restricted cash . . . . .	19	129	132,536
Cash and cash equivalents . . . . .	19	<u>275,666</u>	<u>201,908</u>
Total current assets . . . . .		<u>762,031</u>	<u>659,045</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables . . . . .	20	147,170	133,140
Other payables and accruals . . . . .	21	231,359	167,916
Contract liabilities . . . . .	21	179,944	119,321
Interest-bearing bank borrowings . . . . .	22	15,019	78,526
Lease liabilities . . . . .	14(b)	14,155	12,762
Tax payable . . . . .		11,914	14,182
Dividends payable . . . . .		<u>102,210</u>	<u>56,210</u>
Total current liabilities . . . . .		<u>701,771</u>	<u>582,057</u>
NET CURRENT ASSETS . . . . .		<u>60,260</u>	<u>76,988</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>210,655</u>	<u>265,842</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities . . . . .	14(b)	33,678	41,420
Contract liabilities . . . . .	21	<u>6,154</u>	<u>5,544</u>
Total non-current liabilities . . . . .		<u>39,832</u>	<u>46,964</u>
NET ASSETS . . . . .		<u>170,823</u>	<u>218,878</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital . . . . .	24	–	–
Reserves . . . . .	25	<u>170,823</u>	<u>218,878</u>
TOTAL EQUITY . . . . .		<u>170,823</u>	<u>218,878</u>

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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**Year ended 31 December 2022**

	Share capital	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	(Accumulated losses)/retained profits*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(note 24)</i>	<i>(note 25)</i>	<i>(note 25)</i>	<i>(note 25)</i>		
At 1 January 2022 . . . . .	–	50,000	7,870	(3,588)	(61,397)	(7,115)
Profit for the year . . . . .	–	–	–	–	328,234	328,234
Other comprehensive income for the year:						
Exchange differences on translation . .	–	–	–	2,089	–	2,089
Total comprehensive income for the year . . . . .	–	–	–	2,089	328,234	330,323
Dividend declared by subsidiaries to the then equity holders <i>(note 11)</i> . . .	–	–	–	–	(152,385)	(152,385)
Transfer from retained profits . . . . .	–	–	7,781	–	(7,781)	–
At 31 December 2022 . . . . .	<u>–</u>	<u>50,000</u>	<u>15,651</u>	<u>(1,499)</u>	<u>106,671</u>	<u>170,823</u>

**Year ended 31 December 2023**

	Share capital	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(note 24)</i>	<i>(note 25)</i>	<i>(note 25)</i>	<i>(note 25)</i>		
At 1 January 2023 . . . . .	–	50,000	15,651	(1,499)	106,671	170,823
Profit for the year . . . . .	–	–	–	–	197,132	197,132
Other comprehensive income for the year:						
Exchange differences on translation .	–	–	–	923	–	923
Total comprehensive income for the year . . . . .	–	–	–	923	197,132	198,055
Dividend declared by subsidiaries to the then equity holders <i>(note 11)</i> . . .	–	–	–	–	(150,000)	(150,000)
Transfer from retained profits . . . . .	–	–	3,187	–	(3,187)	–
At 31 December 2023 . . . . .	<u>–</u>	<u>50,000</u>	<u>18,838</u>	<u>(576)</u>	<u>150,616</u>	<u>218,878</u>

\* These reserve accounts comprise the consolidated reserves of RMB170,823,000 and RMB218,878,000 in the consolidated statements of financial position as at 31 December 2022 and 2023, respectively.

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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2023</b>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax . . . . .		314,744	197,924
Adjustments for:			
Finance costs . . . . .	7	1,555	3,256
Bank interest income . . . . .	5	(717)	(3,430)
Interest income on a loan from a related party . . .	5	(175)	–
Gain on disposal of financial assets at fair value through profit or loss . . . . .	5	(98)	(687)
Fair value gains on financial assets at fair value through profit or loss . . . . .	5	(67)	(1,105)
Loss on early termination of leases . . . . .	6	–	847
Loss on disposal of items of property, plant and equipment . . . . .	6	102	12
Depreciation of property, plant and equipment. . .	6	3,448	6,296
Depreciation of right-of-use assets. . . . .	6	6,397	13,914
Amortisation of other intangible assets . . . . .	6	94	363
Impairment/(reversal of impairment) of trade receivables, net . . . . .	6	7,407	(804)
Foreign exchange differences, net . . . . .	6	24	(454)
		<u>332,714</u>	<u>216,132</u>
Decrease/(increase) in restricted cash . . . . .		17,522	(132,407)
(Increase)/decrease in trade receivables . . . . .		(182,105)	155,236
Increase in prepayments, deposits and other receivables . . . . .		(17,336)	(62,222)
(Increase)/decrease in contract costs . . . . .		(86,396)	45,473
Increase/(decrease) in trade and bills payables. . . .		69,547	(13,122)
Increase/(decrease) in contract liabilities . . . . .		111,470	(61,152)
Increase/(decrease) in other payables and accruals.		89,834	(58,415)
Cash generated from operations. . . . .		335,250	89,523
Interest received . . . . .		717	3,430
Income tax paid. . . . .		(32)	(15,833)
Net cash flows from operating activities . . . . .		<u>335,935</u>	<u>77,120</u>

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**ACCOUNTANTS’ REPORT**

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2023</b>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Repayment of loans from a related party . . . . .		16,000	–
Purchases of financial assets at fair value through profit or loss . . . . .		(130,000)	(925,344)
Disposal of financial assets at fair value through profit or loss . . . . .		90,098	951,974
Prepayment for the acquisition of an associate . . .		–	(2,500)
Purchases of items of property, plant and equipment . . . . .		(7,845)	(14,464)
Addition to other intangible assets. . . . .		(4,720)	(10,531)
Addition to right-of-use assets. . . . .		–	(547)
Net cash flows used in investing activities . . . . .		<u>(36,467)</u>	<u>(1,412)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment for deferred [REDACTED]. . . . .		[REDACTED]	[REDACTED]
New bank borrowings . . . . .	28	15,000	79,141
Repayment of bank borrowings . . . . .	28	(10,000)	(15,000)
Interest paid . . . . .	28	(531)	(1,691)
Guarantee fee for bank borrowings . . . . .		(151)	(275)
Principal portion of lease payments . . . . .	28	(6,499)	(11,621)
Interest portion of lease payments . . . . .	28	(868)	(1,924)
Dividends paid . . . . .	28	(50,000)	(196,000)
Net cash flows used in financing activities . . . . .		<u>(55,189)</u>	<u>(148,843)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .</b>			
Cash and cash equivalents at beginning of year . . .		244,279	(73,135)
Effect of foreign exchange rate changes, net . . . . .		29,039	275,666
		<u>2,348</u>	<u>(623)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR . . . . .</b>			
	19	<u>275,666</u>	<u>201,908</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances. . . . .	19	273,932	330,454
Cash held by other financial institutions . . . . .	19	1,863	3,990
Less: Restricted cash . . . . .	19	<u>129</u>	<u>132,536</u>
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND THE CONSOLIDATED STATEMENTS OF CASH FLOWS . . . . .</b>			
		<u>275,666</u>	<u>201,908</u>

**APPENDIX IA**

**ACCOUNTANTS’ REPORT**

**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
<i>Note</i>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSET</b>		
Total non-current asset . . . . .	—	—
<b>CURRENT ASSET</b>		
Prepayments, deposits and other receivables . . . . .	—	206
Total current asset . . . . .	—	206
<b>CURRENT LIABILITY</b>		
Other payables and accruals . . . . .	—	1,172
Total current liability . . . . .	—	1,172
<b>NET CURRENT LIABILITIES</b> . . . . .	—	(966)
<b>TOTAL ASSETS LESS CURRENT</b>		
<b>LIABILITIES</b> . . . . .	—	(966)
<b>NET LIABILITIES</b> . . . . .	—	(966)
<b>TOTAL EQUITY</b>		
Share capital . . . . .	24	—
Reserves . . . . .	—	(966)
	—	(966)
	=	=



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ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands on 24 November 2022. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the development and operation of mobile games (the “[REDACTED] Business”) in the People’s Republic of China (the “PRC”) and other countries and regions.

The Company and its subsidiaries now comprising the Group underwent the reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document (the “Reorganisation”). Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong). The particulars of the Company’s subsidiaries are set out below:

Entity name	Place of incorporation and operation/date of incorporation	Issued ordinary/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Uni-Star Interactive HK Limited (Note (a)) . . . . .	Hong Kong/ 2022-12-07	HKD10,000	100	–	Investment holding
Chengdu Uni-star Interactive Entertainment Network Technology Co., Ltd. 成都星邦互娛網絡科技有限公司* (“Chengdu Uni-star”) (Note (b)/Note (k)) . . . . .	PRC/Mainland China/ 2014-10-14	RMB10,216,800	–	100	Game development and operation
Chengdu Herunxuan Network Technology Co., Ltd. 成都合潤軒網絡科技有限公司* (“Chengdu Herunxuan”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2019-02-28	RMB10,000,000	–	100	Game development and operation
Chengdu Hehuida Network Technology Co., Ltd. 成都合輝達網絡科技有限公司* (“Chengdu Hehuida”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2019-02-27	RMB10,000,000	–	100	Game operation
Chengdu Jinhongtu Network Technology Co., Ltd. 成都錦宏圖網絡科技有限公司* (“Chengdu Jinhongtu”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2019-02-26	RMB10,000,000	–	100	Game operation
Shanghai Qunong Network Technology Co., Ltd. 上海趣儂網絡科技有限公司* (“Shanghai Qunong”) (Note (c)/Note (k)) . . . . .	PRC/Mainland China/ 2018-07-23	RMB5,000,000	–	100	Game development and operation
Shanghai Jushi Network Technology Co., Ltd. 上海聚市網絡科技有限公司* (“Shanghai Jushi”) (Note (c)/Note (k)) . . . . .	PRC/Mainland China/ 2015-04-22	RMB10,000,000	–	100	Game development and operation

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Entity name	Place of incorporation and operation/date of incorporation	Issued ordinary/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Shanghai Yuanxi Network Technology Co., Ltd. 上海圓戲網絡科技有限公司* (“Shanghai Yuanxi”) (Note (g)/Note (k)) . . . . .	PRC/Mainland China/ 2019-03-08	RMB10,000,000	–	100	Game development and operation
Shanghai Yuexi Network Technology Co., Ltd. 上海悅戲網絡科技有限公司* (“Shanghai Yuexi”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2019-03-08	RMB10,000,000	–	100	Game operation
Shanghai Aoren Network Technology Co., Ltd. 上海澳仁網絡科技有限公司* (“Shanghai Aoren”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2019-04-09	RMB10,000,000	–	100	Game operation
Guangzhou Uni-star Interactive Entertainment Network Co., Ltd. 廣州星邦互娛網絡有限公司* (“Guangzhou Uni-star”) (Note (d)) . . . . .	PRC/Mainland China/ 2017-09-11	RMB1,000,000	–	100	Internet data service
Hunan Ruiying Network Technology Co., Ltd. 湖南睿鷹網絡科技有限公司* (“Hunan Ruiying”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2020-09-11	RMB5,000,000	–	100	Game development
Yichun Jiangxin Network Technology Co., Ltd. 宜春匠心網絡科技有限公司* (“Yichun Jiangxin”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2020-06-22	RMB5,000,000	–	100	Game development
Wonder Game Technology Co., Ltd. 奇妙互娛網絡科技有限公司 (“Wonder Game”) (Note (f)/Note (k)) . . . . .	Hong Kong/ 2010-10-25	HKD10,000	–	100	Game development and operation
Shanghai Lingku Network Technology Co., Ltd. 上海零酷網絡科技有限公司* (“Shanghai Lingku”) (Note (h)/Note (k)) . . . . .	PRC/Mainland China/ 2022-01-26	RMB1,000,000	–	100	Game development and operation
Shanghai Xuangan Network Technology Co., Ltd. 上海炫感網絡科技有限公司* (“Shanghai Xuangan”) (Note (h)) . . . . .	PRC/Mainland China/ 2022-01-26	RMB5,000,000	–	100	Game development
Hainan Uni-star Interactive Entertainment Network Technology Co., Ltd. 海南星邦互娛網絡科技有限公司* (“Hainan Uni-star”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2022-08-03	RMB5,000,000	–	100	Game operation

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Entity name	Place of incorporation and operation/date of incorporation	Issued ordinary/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Hainan Jianzhi Network Technology Co., Ltd. 海南劍指網絡科技有限公司* (“Hainan Jianzhi”) (Note (i)/Note (k)) . . . . .	PRC/Mainland China/ 2022-08-04	RMB1,000,000	–	100	Game development and operation
Shanghai Pingyekuo Network Technology Co., Ltd. 上海平野闊網絡科技有限公司* (“Shanghai Pingyekuo”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2023-03-09	RMB1,000,000	–	100	Game operation
Yibin Xingcheng Network Technology Co., Ltd. 宜賓星澄網絡科技有限公司* (“Yibin Xingcheng”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2023-06-19	RMB10,000,000	–	100	Game operation
Shanghai Qianwanlang Network Technology Co., Ltd. 上海千灣浪網絡科技有限公司* (“Shanghai Qianwanlang”) (Note (j)) . . . . .	PRC/Mainland China/ 2023-11-28	RMB30,000	–	100	Game development
Guangzhou Renfengjin Network Technology Co., Ltd. 廣州任風勁網絡科技有限公司* (“Guangzhou Renfengjin”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2023-12-21	RMB1,000,000	–	100	Game development and operation
Uni-Star Technology HK Limited (Note (a)) . . . . .	Hong Kong/ 2023-12-22	HKD10,000	–	100	Game operation
Chengdu Dingqingshan Network Technology Co., Ltd. 成都定青山網絡科技有限公司* (“Chengdu Dingqingshan”) (Note (k)) . . . . .	PRC/Mainland China/ 2024-04-28	RMB1,000,000	–	100	Game operation
Huludao Uni-star Network Technology Co., Ltd. 葫蘆島星邦網絡科技有限公司* (“Huludao Uni-star”) (Note (k)) . . . . .	PRC/Mainland China/ 2024-06-27	RMB1,000,000	–	100	Game operation

Notes:

- (a) These entities were incorporated as company with limited liability under Hong Kong law. No audited financial statements have been prepared for these entities.
- (b) The entity was registered as a company of limited liability under PRC law. The statutory financial statements for the years ended 31 December 2022 and 2023 prepared in accordance with generally accepted accounting principles of the PRC (the “PRC GAAP”) were audited by Guangdong Zhongzhixin Certified Public Accountants LLP (廣東中職信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

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## ACCOUNTANTS’ REPORT

- (c) These entities were registered as companies of limited liability under PRC law. The statutory financial statements for the years ended 31 December 2022 and 2023 prepared in accordance with the PRC GAAP were audited by Shanghai Gaoren Certified Public Accountants GP (上海高仁會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (d) The entity was registered as a company of limited liability under PRC law with the name Guangzhou Longwan Cultural Innovation Network Co., LTD. and renamed Guangzhou Uni-star Interactive Entertainment Network Co., LTD. in 2021. The statutory financial statements for the years ended 31 December 2022 and 2023 prepared in accordance with the PRC GAAP were audited by Guangdong Zhongzhixin Certified Public Accountants LLP (廣東中職信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.
- (e) These entities were registered as companies of limited liability under PRC law. No audited financial statements of the entities for the years ended 31 December 2022 and 2023 have been prepared. Hunan Ruiying was deregistered on 23 March 2023 and Yichun Jiangxin was deregistered on 3 March 2023.
- (f) The entity was incorporated as a company with limited liability under Hong Kong law. No audited financial statements of the entity for the year ended 31 December 2022. Wonder Game was deregistered on 4 August 2023.
- (g) The entity was registered as a company of limited liability under PRC law. The statutory financial statements for the years ended 31 December 2022 and 2023 prepared in accordance with PRC GAAP were audited by Shanghai Gaoren Certified Public Accountants GP (上海高仁會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (h) These entities were registered as companies of limited liability under PRC law. No audited financial statements of the entity for the year ended 31 December 2022 have been prepared. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC GAAP were audited by Shanghai Gaoren Certified Public Accountants GP (上海高仁會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (i) The entity was registered as a company of limited liability under PRC law. No audited financial statements of the entity for the year ended 31 December 2022 have been prepared. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC GAAP were audited by Guangdong Zhongzhixin Certified Public Accountants LLP (廣東中職信會計師事務所(特殊普通合夥)).
- (j) The entities were registered as companies with limited liability under PRC law. No audited financial statements of these entities have been prepared.
- (k) The entities were attributable to the Company through Contractual Arrangements with Guangzhou Uni-star.
- \* The English names of these companies in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names as they did not register any official English names.

### 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 26 August 2024.

Chengdu Uni-star and its subsidiaries (collectively the “Consolidated Affiliated Entities”) are engaged in the [REDACTED] Business, which is prohibited or restricted from foreign ownership due to regulatory restrictions in Mainland China. Guangzhou Uni-star Limited WFOE (the “WFOE”), a wholly-owned subsidiary of the Company, has entered into the contractual arrangements (the “Contractual Arrangements”) with, among others, the Consolidated Affiliated Entities and their respective equity holders. The Contractual Arrangements enable the WFOE to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities.

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Accordingly, the Consolidated Affiliated Entities are controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in the Consolidated Affiliated Entities. Details of the Contractual Arrangements are disclosed in the section headed “Contractual Arrangements” in the Document.

The Reorganisation only involved inserting new holding entities, including the WFOE, at the top of Chengdu Uni-star, the then holding company of the Group, and has not resulted in any change of economic substances. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates of their incorporation or establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2022 and 2023 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. All intra-group transactions and balances have been eliminated on consolidation.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS accounting standards, which comprise all standards and interpretations issued by the International Accounting Standards Board. All IFRS accounting standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provision, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended standards, if applicable, when they become effective.

Amendments to IFRS 9 and IFRS 7 . . .	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>3</sup>
Amendments to IFRS 9 and IFRS 7 . . .	<i>Contracts Referencing Nature-dependent Electricity</i> <sup>3</sup>
Amendments to IFRS 10 and IAS 28 . . .	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
IFRS 18 . . . . .	<i>Presentation and Disclosure in Financial Statements</i> <sup>2</sup>
IFRS 19 . . . . .	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>2</sup>
Amendments to IAS 21 . . . . .	<i>Lack of Exchangeability</i> <sup>4</sup>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i> . . .	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 <sup>3</sup>

1 No mandatory effective date yet determined but available for adoption

2 Effective for annual/reporting periods beginning on or after 1 January 2027

3 Effective for annual periods beginning on or after 1 January 2026

4 Effective for annual periods beginning on or after 1 January 2025

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*, which gives investors more transparent and comparable information about entities’ financial performance, thereby enabling better investment decisions. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating, investing, financing, income taxes, and discontinued operations. These categories are complemented by the requirement to present subtotals and totals. IFRS 18 introduces the concept of a management-defined performance measure and defines it as a measure that an entity uses in public communications

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outside financial statements, to communicate management’s view of an aspect of the financial performance of the entity. In addition, there are consequential amendments to IAS 7 *Statement of Cash Flows* and other accounting standards. The application is not expected to have a significant impact on the Group’s consolidated statement of financial position but is expected to affect the presentation of the Group’s consolidated statement of profit or loss and other comprehensive income. The Group is currently assessing the impact of IFRS 18 on the Group’s financial statements.

So far, the Group considers that, these new and amended standards are unlikely to have a significant impact on the Group’s results of operations and financial position.

### 2.4 MATERIAL ACCOUNTING POLICY INFORMATION

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company’s profit or loss to the extent of dividends received and receivable. The Company’s investments in subsidiaries are stated at cost less any impairment losses.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

#### Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has been in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investments in associates are stated in the consolidated statements of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

The Group’s share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investments in associates.

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If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### **Fair value measurement**

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Leasehold improvements</u>	<u>Shorter of estimated useful lives and remaining lease terms</u>
Motor vehicles . . . . .	19.00%
Office equipment . . . . .	19.00% to 31.67%



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Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### ***Patents and licences***

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over shorter of the remaining licensing periods and the estimated useful lives of 2 to 10 years.

### ***Software***

Acquired software is stated at historical cost less amortisation. Acquired software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful life of 2 to 10 years.

### ***Research and development costs***

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### ***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

#### ***(a) Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount

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of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises . . . . . 2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

## **Investments and other financial assets**

### *Initial recognition and measurement*

Financial assets are classified, at initial recognition as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and reward of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as bank borrowings and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of bank borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, lease liabilities and interest-bearing bank borrowings.

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group’s normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply

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chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows.

### ***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at amortised cost (trade and other payables, borrowings)*

After initial recognition, trade and other payables, and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed as at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed as at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Revenue recognition**

#### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

The Group adopts either a self-publishing model and/or a third-party publishing model to publish its self-developed games and/or licensed games developed by third-party game developers. The games are typically operated under a free-to-play model, where game players can play the games for free, but are charged for the purchase of in-game virtual items via payment channels, such as the third-party internet payment systems (the "Payment Channels"). Revenues are primarily generated from the sale of in-game virtual items and record on either a gross or net basis after determining whether the Group acts as a principal or an agent in different game operating arrangements.

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In order to determine whether the Group acts as a principal or an agent, the agreements between relevant parties and the Group are evaluated, taking into account various factors, including but not limited to: whether the Group (i) has primary responsibilities to fulfill the promise to provide the specified good or service meeting customer specification; (ii) has inventory risk before the specified goods or service is transferred to a customer or after transferring control of the good or service to the customer, such as if the customer has a right of return; (iii) has right in pricing of the specified goods or services; and (iv) has discretion in selection of suppliers. The following sets forth a detailed description of the accounting policy for revenues.

### **The Group As A Principal**

When the Group takes primary responsibilities in game operation, it is considered as a principal in relevant game operating arrangements and records revenue on a gross basis. The following sets forth the specific circumstances when the Group is considered as a principal.

#### **Operation of Self-Developed Games**

When the Group operates its self-developed games, it generally takes primary responsibilities in game operation, including the game development, maintenance, price setting and game server hosting and maintenance. Under such circumstances, the Group is considered as a principal and records revenue on a gross basis.

The Group is obligated to provide ongoing services to game players who purchased in-game virtual items to gain an enhanced game-playing experience. As such, the Group recognises revenue rateably over the estimated average playing period of these paying players (“Player Relationship Period”), starting from the point in time when in-game virtual items are delivered to the players’ accounts. The Player Relationship Period of a game is estimated based on historical data statistics of the paying players and is reassessed annually. If a new game is launched or only a limited period of paying player data is available, the Group will consider other qualitative factors, such as the paying patterns of the paying players for other games with similar characteristics, to determine the Player Relationship Period.

#### **Operation of Licensed Games**

According to certain game licensed arrangements that the Group entered into with the third-party game developers, the Group takes primary responsibilities in game operation, including determining distribution channels (“Distribution Channels”) and Payment Channels, providing customer service, determining the operating game servers and controlling game and services specifications and pricing. Under such circumstances, the Group is considered as a principal and records revenue on a gross basis.

### **The Group As An Agent**

In certain game operating arrangements where the Group does not take primary responsibilities in game operation, the Group is considered as an agent and records revenue on a net basis. The following sets forth the specific circumstances when the Group is considered as an agent.

#### **Operation of Self-Developed Games**

When the Group licenses out its self-developed games to third-party publishers (“Third-party Publishers”), who operate the mobile games in designated regions or countries within a specific period, the Third-party Publishers generally take primary responsibility in game operation and bear significant risks and rewards associated with the operation of the games under the game licensing arrangements, as they are responsible for marketing and promotion of the games in the market, determining the price of in-game virtual items, selecting Distribution Channels and Payment Channels and providing customer service. Under such circumstances, the Group is considered as an agent and records revenue on a net basis.

The Group typically receives licensing fees from the Third-party Publishers, consisting of (i) non-refundable fixed licensing fees, either paid upfront by Third-party Publishers or according to a specific payment schedule, and (ii) variable licensing fees, which are calculated based on a prescribed percentage of the amounts paid by paying players for the purchase of in-game virtual items. The non-refundable fixed licensing fees are initially recorded as contract liabilities and are then recognised as revenue rateably over the licensing period because the licensing arrangements are considered to be right-to-access licensing arrangements. The variable licensing fees are recognised as revenue on a net basis when the sales occur.

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### Operation of Licensed Games

When the Group obtained games licenses from third-party game developers, it generally is authorised to provide game operation supporting services such as conducting precision marketing, publishing channel and Payment Channel operation and/or brand incubation services. However, the third-party game developers take primary responsibilities in game operation, as they retain the right to authorise the Group to provide game operation supporting services and are responsible for (i) providing the games; (ii) the development, upgrade, update and maintenance of the game; (iii) independently setting the prices of in-game virtual items and the generation, transferring, operation and destruction of in-game virtual items; and (iv) hosting and maintaining the game server. Under such circumstances, the Group is considered as an agent and records revenue on a net basis.

Pursuant to the service agreement between the third-party game developer and the Group, the Group typically charges the third-party game developer a service fee based on a percentage of the gross amounts paid by the paying players for the purchase of in-game virtual items. The service fee is recognised as revenue on a net basis, when the sales occur, and when the paying amounts are determinable.

### *Other income*

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group renders the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., the related services rendered to the customer).

### Contract costs

Other than the costs which are capitalised as property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

Any capitalised contract costs are amortised, with the expense recognised on a systematic basis that is consistent with the entity’s transfer of control of the related goods or services to the customer. Other contract costs are expensed as incurred.

### Employee benefits

#### *Pension scheme*

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### *Housing fund*

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.



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### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### Foreign currencies

The functional currency of the Company is Hong Kong dollars (“HKD”). The Historical Financial Information is presented in RMB. In the opinion of the directors, as the Group’s operation are mainly in Mainland China, the use of RMB as the presentation currency is more appropriate for the presentation of the Group’s results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of the Company and certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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### Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

#### *Principal versus agent considerations*

Pursuant to game publishing and operation arrangements signed between the Group and the third-party game developers or Distribution Channels, the Group’s responsibilities in publishing and operating the licensed games vary for each game. The determination of whether to record these revenues using gross or net basis is based on an assessment of various factors, including but not limited to whether the Group:

- (i) is the primary obligor to the game developers or game players in the arrangements;
- (ii) has general inventory risk;
- (iii) has the rights to host the game servers or determine the operating game servers;
- (iv) has latitude in establishing the selling price of virtual items;
- (v) changes the products or performs part of the services;
- (vi) has involvement in the determination of product and service specifications; and
- (vii) has the rights to determine Distribution Channels and Payment Channels.

#### *Right to access for game licensing*

The nature of the Group’s promise in granting a licence is a promise to provide a right to access the Group’s intellectual property if all of the following criteria are met:

- (i) the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- (ii) the rights granted by the license directly expose the customer to any positive or negative effects of the Group’s activities; and
- (iii) those activities do not result in the transfer of a good or a service to the customer as those activities occur.

#### *Withholding taxes arising from the distribution of dividends*

The Group’s determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Since the Group intends to reinvest earnings to further expand its businesses in Mainland China after Reorganisation, it currently does not intend to declare dividend to its immediate foreign holding entities in the foreseeable future. Accordingly, no deferred tax liability on withholding taxes was accrued as at the end of each reporting period.

#### *Contractual Arrangements*

The Consolidated Affiliated Entities are mainly engaged in the development and operation of mobile games in Mainland China, which falls in the scope of “Catalog of Restricted Foreign Investment Industries” that foreign investors are prohibited to invest.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements. Pursuant to the Contractual Arrangements, the WFOE controls the voting

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rights of the Consolidated Affiliated Entities and undertakes to provide the Consolidated Affiliated Entities with certain consultancy and technical services as required to support their operations. In return, the WFOE is entitled to substantially all of the operating profits and residual benefits generated by the Consolidated Affiliated Entities through intercompany charges levied on these services rendered. The registered equity holders of the Consolidated Affiliated Entities are also required to transfer its interests in the Consolidated Affiliated Entities to the WFOE or the designee appointed by the WFOE upon a request made by the WFOE when permitted by the PRC laws. The equity interests in the Consolidated Affiliated Entities have also been pledged by the registered equity holders to the WFOE in respect of the continuing obligations of the Consolidated Affiliated Entities.

The Group considers that it controls the Consolidated Affiliated Entities, notwithstanding the fact that it does not hold direct equity interest in the Consolidated Affiliated Entities, as it has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities through the Contractual Arrangements. Accordingly, the Consolidated Affiliated Entities have been accounted as subsidiaries during the Relevant Periods. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the Historical Financial Information.

### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### ***Estimate of the Player Relationship Period for the revenue from self-developed and licensed game operation***

As described in note 2.4 to the Historical Financial Information, revenue from self-developed and licensed game are recognised over the Player Relationship Period. The Group estimates the Player Relationship Period of a game based on historical data statistics of the paying players and re-assesses such period annually. If a new game is launched or only a limited period of paying player data is available, the Group then consider other qualitative factors, such as the paying patterns for the paying players for the other game with similar characteristics. While the Group believes its estimates to be reasonable, it may revise such estimate in the future as there is any important changes in game player behaviour patterns, games’ operation periods and other aspects.

#### ***Provision for expected credit losses on trade receivables and other receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various debtor segments that have similar loss patterns (i.e., by debtor type and rating).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Payment Channels and Distribution Channels, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group has applied the general approach to provide for expected credit losses for other receivables and considered the default event, historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a debtor’s actual default in the future. The information about the ECLs on the Group’s trade receivables and other receivables are disclosed in notes 16 and 17 to the Historical Financial Information.

#### ***Leases — Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have

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to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses at 31 December 2022 and 2023 were RMB66,339,000 and RMB88,139,000, respectively. The amounts of unrecognised tax losses at 31 December 2022 and 2023 were RMB102,000 and RMB3,518,000. Further details are contained in note 23 to the Historical Financial Information.

### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets). Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 13, 14, 15 and 17 to the Historical Financial Information.

## 4. OPERATING SEGMENT INFORMATION

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### **Geographical information**

#### *(a) Revenue from external customers*

	Year ended 31 December	
	2022	2023
	RMB’000	RMB’000
Mainland China . . . . .	5,628,874	5,298,894
Outside Mainland China . . . . .	46,208	28,209
Total . . . . .	<u>5,675,082</u>	<u>5,327,103</u>

#### *(b) Non-current assets*

As at 31 December 2022 and 2023, substantially all of the non-current assets of the Group were located in Mainland China.

### **Information about major customers**

During each of the Relevant Periods, there was no revenue derived from single external customer which accounted for more than 10% of the total revenue of the Group.

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**5. REVENUE, OTHER INCOME AND GAINS**

**Revenue from contracts with customers**

*(a) Disaggregated revenue information*

An analysis of revenue by category is as follows:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Types of goods or services</b>		
Self-publishing		
– Self-developed game . . . . .	1,616,056	1,062,691
– Licensed game . . . . .	63,698	123,116
Third-party publishing		
– Self-developed game . . . . .	1,182,951	1,886,324
– Licensed game . . . . .	<u>2,812,377</u>	<u>2,254,972</u>
Total revenue from contracts with customers . . . . .	<u>5,675,082</u>	<u>5,327,103</u>

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Performance obligations</b>		
Self-developed game operation . . . . .	2,752,799	2,924,007
Licensed game operation . . . . .	2,876,075	2,378,088
Game licensing . . . . .	46,208	25,008
Total revenue from contracts with customers . . . . .	<u>5,675,082</u>	<u>5,327,103</u>

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Geographical markets</b>		
Mainland China . . . . .	5,628,874	5,298,894
Outside Mainland China . . . . .	46,208	28,209
Total revenue from contracts with customers . . . . .	<u>5,675,082</u>	<u>5,327,103</u>

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Timing of revenue recognition</b>		
Service transferred overtime . . . . .	5,675,082	5,327,103
Total revenue from contracts with customers . . . . .	<u>5,675,082</u>	<u>5,327,103</u>

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The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Provision of service . . . . .	64,483	179,944

**(b) Performance obligations**

Information about the Group’s performance obligations is summarised below:

*Self-developed game operation*

The performance obligation is satisfied over the estimated Player Relationship Period. Under self-publishing model, payment is due immediately when the paying players make in-game purchase, and payment from Distribution Channels, if applicable, is normally settled within 60 to 120 days. Under third-party publishing model, the payment is due immediately when the paying players make in-game purchases and payment is settled with Third-party Publishers normally within 60-120 days.

*Licensed game operation*

The Group acts as principal

The performance obligation is satisfied over the estimated Player Relationship Period. Under self-publishing model, the payment is due immediately when the paying players make in-game purchases, and payments from Distribution Channels, if applicable, are normally within 60 to 120 days. Under third-party publishing model, the payments are due immediately when the paying players make in-game purchases while payments are settled with Third-party Publishers normally within 60 to 120 days.

The Group acts as agent

The performance obligation is satisfied by conducting precision marketing, publishing and Payment Channel operation and brand incubation services throughout the contract period. Under self-publishing model, the Group withholds the cash after the paying players make in-game purchases, and payments from Distribution Channels, if applicable, are normally within 60 to 120 days. Under third-party publishing model, the payments are due when the statements are received and confirmed with the collaborating Third-party Publishers and received normally within 30 to 90 days. The Group settles the payments with third-party game developers within 30 to 90 days from the date of billing from third-party game developers.

*Game licensing*

The performance obligation is satisfied over the licence period (for a right to access). The payment is due when the statement is received and confirmed with the collaborating Third-party Publishers. The Group settles the payments with Third-party Publishers within 30 to 90 days from the date of billing.

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The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2023 are as follows:

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year . . . . .	179,944	119,321
More than one year . . . . .	6,154	5,544
	<u>186,098</u>	<u>124,865</u>

The transaction amounts allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to game licensing services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

An analysis of other income and gains is as follows:

	Notes	Year ended 31 December	
		2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>
VAT additional deduction . . . . .		8,044	5,741
Government grants related to income . . . . .	(a)	1,431	9,539
Bank interest income . . . . .		717	3,430
Foreign exchange differences, net . . . . .		–	454
Gain on disposal of financial assets at fair value through profit or loss . . . . .		98	687
Fair value gains on financial assets at fair value through profit or loss . . . . .		67	1,105
Advertising income . . . . .	(b)	–	2,080
Interest income on a loan from a related party . . . . .		175	–
Others . . . . .		485	485
		<u>11,017</u>	<u>23,521</u>

(a) Amounts mainly represent government grants received from local government authorities in Mainland China to subsidy employment costs and bank interests etc. incurred by the Group. There were no unfulfilled conditions or contingencies attached to these government grants.

(b) Amounts mainly represent the advertising income received from a third party for providing advertising space in the game interface.

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6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December	
		2022	2023
		RMB’000	RMB’000
Cost of services provided (excluding those included in employee benefit expense, depreciation, amortisation and promotion costs). . . . .		3,919,368	3,899,980
Promotion expenses . . . . .		1,182,691	910,799
Depreciation of property, plant and equipment*. . . . .	13	3,448	6,296
Depreciation of right-of-use assets*. . . . .	14(a)	6,397	13,914
Amortisation of other intangible assets*. . . . .	15	94	363
Research and development costs (excluding those included in employee benefit expense, depreciation, amortisation). . . . .		22,193	20,248
Lease payment not included in the measurement of lease liabilities . . . . .	14(c)	102	698
Auditor’s remuneration . . . . .		155	172
[REDACTED] . . . . .		[REDACTED]	[REDACTED]
Employee benefit expense (excluding directors’ and chief executive officer’s remuneration) (note 8):			
Wages and salaries . . . . .		187,253	238,755
Pension scheme contributions (defined contribution scheme)** . . . . .		6,073	9,612
Staff welfare expenses . . . . .		13,036	22,384
Total employee benefit expense . . . . .		206,362	270,751
Foreign exchange differences, net . . . . .		24	(454)
Impairment/(reversal of impairment) of trade receivables, net . . . . .	16	7,407	(804)
Gain on disposal of financial assets at fair value through profit or loss . . . . .	5	(98)	(687)
Fair value gains on financial assets at fair value through profit or loss . . . . .	5	(67)	(1,105)
Bank interest income . . . . .	5	(717)	(3,430)
Interest income on a loan from a related party . . . . .	5	(175)	–
Loss on disposal of items of property, plant and equipment*** . . . . .		102	12
Loss on early termination of leases*** . . . . .		–	847

\* Included in cost of sales, selling and distribution expenses, administrative expenses and research and development costs in profit or loss during the Relevant Periods.

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

\*\*\* Included in other expenses during the Relevant Periods.



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### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2022	2023
	RMB'000	RMB'000
Interest on bank borrowings . . . . .	536	1,057
Interest on lease liabilities ( <i>note 14(c)</i> ) . . . . .	868	1,924
Guarantee fee for bank borrowings . . . . .	151	275
	<u>1,555</u>	<u>3,256</u>

### 8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

On 24 November 2022, Ms. Guo Xiaolan (郭小蘭) was appointed as an executive director and the chief executive officer of the Company. On 20 September 2023, Ms. Li Song (李松), Ms. Zhu Haixia (朱海霞) and Mr. Wang Shiming (王仕銘) were appointed as executive directors of the Company. On 24 February 2025, Mr. Wang Shiming (王仕銘) resigned as an executive director and Mr. Liang haijian (梁海健) was appointed as an executive director of the Company. On 22 August 2024, Mr. Wang Yong (王勇), Mr. Zhu Wuxiang (朱武祥) and Mr. Chen Aiwen (陳愛文) were appointed as independent non-executive directors of the Company and the appointments of the independent non-executive directors will be effective from the [REDACTED].

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or senior management of these subsidiaries. The remuneration of these directors as recorded in the financial statements of the Group’s subsidiaries is set out below:

	Year ended 31 December	
	2022	2023
	RMB'000	RMB'000
Fees . . . . .	–	–
Other emoluments:		
Salaries, allowances and benefits in kind . . . . .	1,375	1,770
Performance-related bonuses . . . . .	359	901
Pension scheme contributions . . . . .	70	137
Total . . . . .	<u>1,804</u>	<u>2,808</u>

#### (a) Independent non-executive directors

Mr. Wang Yong (王勇), Mr. Zhu Wuxiang (朱武祥) and Mr. Chen Aiwen (陳愛文) were appointed as independent non-executive directors of the Company on 22 August 2024 and the appointments will be effective from the [REDACTED]. There was no emolument payable to the independent non-executive directors during the Relevant Periods.

#### (b) Executive directors

*Year ended 31 December 2022*

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Ms. Guo Xiaolan (郭小蘭) . . . . .	–	454	40	13	507
Ms. Li Song (李松) . . . . .	–	409	155	12	576
Ms. Zhu Haixia (朱海霞) . . . . .	–	424	143	31	598
Mr. Wang Shiming (王仕銘) . . . . .	–	88	21	14	123
	–	<u>1,375</u>	<u>359</u>	<u>70</u>	<u>1,804</u>

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*Year ended 31 December 2023*

	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:					
Ms. Guo Xiaolan (郭小蘭) . . . . .	–	484	40	55	579
Ms. Li Song (李松) . . . . .	–	715	478	31	1,224
Ms. Zhu Haixia (朱海霞) . . . . .	–	463	358	34	855
Mr. Wang Shiming (王仕銘) . . . . .	–	108	25	17	150
	–	<u>1,770</u>	<u>901</u>	<u>137</u>	<u>2,808</u>
	=	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the Relevant Periods do not include directors. Details of the remuneration of the five and five highest paid employees, who are neither a director nor chief executive officer of the Company during the Relevant Periods, respectively, are as follows:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowance and benefits in kind . . . . .	2,057	2,102
Performance-related bonuses . . . . .	8,634	8,413
Pension scheme contributions . . . . .	125	121
Total . . . . .	<u>10,816</u>	<u>10,636</u>
	<u>          </u>	<u>          </u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
HKD1,000,001 to HKD1,500,000 . . . . .	2	3
HKD1,500,001 to HKD2,000,000 . . . . .	2	1
HKD6,000,001 to HKD6,500,000 . . . . .	1	1
Total . . . . .	<u>5</u>	<u>5</u>
	<u>          </u>	<u>          </u>

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to these senior management personnel as an inducement to join or upon joining the Group or as compensation for loss of office.

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**10. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act and, accordingly, it is not subject to income tax from businesses carried out in the Cayman Islands.

The statutory tax rate for the subsidiaries in Hong Kong is 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

All of the Group’s subsidiaries registered in the PRC with operation in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with the relevant PRC Corporate Income Tax Law based on a statutory rate of 25% for the Relevant Periods.

In 2023, Chengdu Hehuida met the requirements of the revised catalogue of industries whose development is encouraged in the western regions of Mainland China, where allow Corporate Income Tax (“CIT”) to be levied at a reduced rate of 15% for eligible enterprise.

Guangzhou Uni-star obtained the qualification as a “High and New Technology Enterprise” in 2023 and it is subject to a reduced preferential CIT rate of 15% for a three-year period from 2023 to 2025.

Shanghai Yuanxi is accredited as a “software enterprise” under the relevant PRC Corporate Income Tax Law and regulations. It is exempt from Corporate Income Tax (“CIT”) for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the “tax holiday”). Accordingly, Shanghai Yuanxi is exempt from CIT for 2022.

Hainan Uni-star and Chengdu Jinhongtu were accredited as “small meagre-profit enterprise” in 2023, Guangzhou Uni-star, Chengdu Hehuida, Shanghai Aoren, Shanghai Yuexi, Yichun Jiangxin, Hunan Ruiying, Shanghai Lingku and Shanghai Xuangan were accredited as “small meagre-profit enterprises” in 2022, under the relevant PRC Corporate Income Tax Law and regulations. Accordingly, Hainan Uni-star and Chengdu Jinhongtu included 25% of profit before tax in the taxable income and enjoyed a reduced tax rate of 20% in 2023; Guangzhou Uni-star, Chengdu Hehuida, Shanghai Aoren, Shanghai Yuexi, Yichun Jiangxin, Hunan Ruiying, Shanghai Lingku and Shanghai Xuangan included 12.5% of profit before tax in the taxable income and enjoyed a reduced tax rate of 20% in 2022.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). According to the Notice [2022] No. 28, which was promulgated by the Ministry of Science & Technology, Ministry of Finance, State Tax Bureau on 22 September 2022 and executed on 1 October 2022, the percentage of pre-tax additional deduction for research and development expenses of the Group’s entities had been increased to 100%.

The income tax expense for the Relevant Periods are as follows:

	Year ended 31 December	
	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>
Current income tax – Mainland China . . . . .	11,919	18,102
Deferred income tax ( <i>note 23</i> ) . . . . .	<u>(25,409)</u>	<u>(17,310)</u>
Total tax (credit)/charge for the year . . . . .	<u>(13,490)</u>	<u>792</u>

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A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and most of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, for each of the Relevant Periods is as follows:

	Year ended 31 December			
	2022		2023	
	RMB'000	%	RMB'000	%
Profit before tax . . . . .	314,744		197,924	
Tax at the respective statutory tax rates:				
– PRC subsidiaries, at 25% . . . . .	78,687	25	49,481	25
Lower tax rates for specific provinces or enacted by local authority . . . . .	(56,130)	(18)	(3,979)	(2)
Income not subject to Hong Kong tax . . . . .	(6,513)	(2)	(3,322)	(2)
Expenses not deductible for tax . . . . .	537	–	1,558	1
Tax losses utilised from previous periods . . . . .	(324)	–	(4)	–
Temporary differences utilised from previous periods . . . . .	–	–	(310)	–
Super Deduction for research and development costs . . . . .	(29,746)	(9)	(43,597)	(22)
Temporary differences not recognised . . . . .	481	–	–	–
Tax losses not recognised . . . . .	11	–	858	–
Effect of different tax rates between deferred tax and current tax . . . . .	(493)	–	–	–
Under provision in respect of prior years . . . . .	–	–	107	–
Tax (credit)/charge at the Group’s effective rate . .	<u>(13,490)</u>	<u>(4)</u>	<u>792</u>	<u>0</u>

**11. DIVIDENDS**

Pursuant to the resolutions of the shareholders’ meetings on 29 April 2022 and 3 November 2022, Chengdu Uni-star, a subsidiary of the Group, declared dividends of RMB40,000,000 and RMB112,385,000, respectively, to its then equity holders. The Group has settled RMB141,933,000, of which RMB141,758,000 was paid in cash and RMB175,000 was offset against an amount due from a then equity holder as at 31 December 2023.

Pursuant to the resolutions of the shareholders’ meetings on 4 July 2023, Chengdu Uni-star, a subsidiary of the Group, declared dividends of RMB150,000,000, to its then equity holders and has paid RMB104,242,000 as at 31 December 2023.

**12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods on a consolidated basis.

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**13. PROPERTY, PLANT AND EQUIPMENT**

**31 December 2022**

	<u>Leasehold improvements</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022:				
Cost . . . . .	7,584	212	6,458	14,254
Accumulated depreciation . . . . .	<u>(4,763)</u>	<u>(130)</u>	<u>(4,801)</u>	<u>(9,694)</u>
Net carrying amount . . . . .	<u>2,821</u>	<u>82</u>	<u>1,657</u>	<u>4,560</u>
At 1 January 2022, net of accumulated depreciation . . . . .	2,821	82	1,657	4,560
Additions . . . . .	1,466	414	2,045	3,925
Disposals . . . . .	–	–	(102)	(102)
Depreciation provided during the year . . . . .	<u>(1,835)</u>	<u>(143)</u>	<u>(1,470)</u>	<u>(3,448)</u>
At 31 December 2022, net of accumulated depreciation . . . . .	<u>2,452</u>	<u>353</u>	<u>2,130</u>	<u>4,935</u>
At 31 December 2022:				
Cost . . . . .	9,050	626	6,461	16,137
Accumulated depreciation . . . . .	<u>(6,598)</u>	<u>(273)</u>	<u>(4,331)</u>	<u>(11,202)</u>
Net carrying amount . . . . .	<u>2,452</u>	<u>353</u>	<u>2,130</u>	<u>4,935</u>

**31 December 2023**

	<u>Leasehold improvements*</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023:				
Cost . . . . .	9,050	626	6,461	16,137
Accumulated depreciation . . . . .	<u>(6,598)</u>	<u>(273)</u>	<u>(4,331)</u>	<u>(11,202)</u>
Net carrying amount . . . . .	<u>2,452</u>	<u>353</u>	<u>2,130</u>	<u>4,935</u>
At 1 January 2023, net of accumulated depreciation . . . . .	2,452	353	2,130	4,935
Additions . . . . .	14,645	–	3,739	18,384
Disposals . . . . .	–	–	(12)	(12)
Depreciation provided during the year . . . . .	<u>(4,893)</u>	<u>(125)</u>	<u>(1,278)</u>	<u>(6,296)</u>
At 31 December 2023, net of accumulated depreciation . . . . .	<u>12,204</u>	<u>228</u>	<u>4,579</u>	<u>17,011</u>
At 31 December 2023:				
Cost . . . . .	23,695	626	10,200	34,521
Accumulated depreciation . . . . .	<u>(11,491)</u>	<u>(398)</u>	<u>(5,621)</u>	<u>(17,510)</u>
Net carrying amount . . . . .	<u>12,204</u>	<u>228</u>	<u>4,579</u>	<u>17,011</u>

\* In 2023, leasehold improvements of RMB1,715,000 were subject to accelerated depreciation due to early termination of leases.

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**14. LEASES**

**The Group as a lessee**

The Group has lease contracts for buildings used in its operations. Leases of buildings generally have lease terms between 2 to 5 years. The Group is not restricted from assigning and subleasing the leased assets outside the Group.

The Group also leased certain office premises under short-term (i.e., the lease term ends within 12 months of the commencement date) or office equipment under low-valued lease arrangement. The Group has elected not to recognise right-of-use assets on these short-term and low-valued lease contracts.

*(a) Right-of-use assets*

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

	<b>Office premises</b>
	<i>RMB’000</i>
At 1 January 2022 . . . . .	7,817
Additions . . . . .	44,710
Depreciation charged during the year . . . . .	<u>(6,397)</u>
At 31 December 2022 and at 1 January 2023 . . . . .	46,130
Additions . . . . .	24,789
Contract termination . . . . .	(5,178)
Depreciation charged during the year . . . . .	<u>(13,914)</u>
At 31 December 2023 . . . . .	<u>51,827</u>

*(b) Lease liabilities*

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at 1 January . . . . .	9,622	47,833
New leases . . . . .	44,710	24,242
Reduction as a result of lease termination . . . . .	–	(6,272)
Accretion of interest recognised during the year . . . . .	868	1,924
Payments . . . . .	<u>(7,367)</u>	<u>(13,545)</u>
Carrying amount at end of year . . . . .	<u>47,833</u>	<u>54,182</u>
<b>Analysed into:</b>		
Current portion . . . . .	<u>14,155</u>	<u>12,762</u>
Non-current portion		
– In the second year . . . . .	8,291	13,826
– In the third to fifth years, inclusive . . . . .	<u>25,387</u>	<u>27,594</u>
	<u>33,678</u>	<u>41,420</u>

The maturity analysis of lease liabilities is disclosed in note 32 to the Historical Financial Information.

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(e) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases and leases of low-value assets (included in administrative expenses) . . .	102	698
Depreciation charge of right-of-use assets . . . . .	6,397	13,914
Interest expense on lease liabilities . . . . .	868	1,924
Loss on early termination of leases . . . . .	–	847
	<u>7,367</u>	<u>17,383</u>

(d) The total cash outflow for leases is disclosed in note 28 to the Historical Financial Information.

**15. OTHER INTANGIBLE ASSETS**

	Patents and licences	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2022</b>			
At 1 January 2022:			
Cost . . . . .	1,557	80	1,637
Accumulated amortisation and impairment . . . . .	(1,514)	(56)	(1,570)
Net carrying amount . . . . .	<u>43</u>	<u>24</u>	<u>67</u>
Cost at 1 January 2022, net of accumulated amortisation and impairment . . . . .	43	24	67
Additions . . . . .	–	220	220
Amortisation provided during the year . . . . .	(43)	(51)	(94)
At 31 December 2022 . . . . .	<u>–</u>	<u>193</u>	<u>193</u>
At 31 December 2022:			
Cost . . . . .	1,557	300	1,857
Accumulated amortisation and impairment . . . . .	(1,557)	(107)	(1,664)
Net carrying amount . . . . .	<u>–</u>	<u>193</u>	<u>193</u>
	Patents and licences	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2023</b>			
At 1 January 2023:			
Cost . . . . .	1,557	300	1,857
Accumulated amortisation and impairment . . . . .	(1,557)	(107)	(1,664)
Net carrying amount . . . . .	<u>–</u>	<u>193</u>	<u>193</u>
Cost at 1 January 2023, net of accumulated amortisation and impairment . . . . .	–	193	193
Additions . . . . .	202	1,150	1,352
Amortisation provided during the year . . . . .	(6)	(357)	(363)
At 31 December 2023 . . . . .	<u>196</u>	<u>986</u>	<u>1,182</u>
At 31 December 2023:			
Cost . . . . .	1,759	1,450	3,209
Accumulated amortisation and impairment . . . . .	(1,563)	(464)	(2,027)
Net carrying amount . . . . .	<u>196</u>	<u>986</u>	<u>1,182</u>

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**16. TRADE RECEIVABLES**

	As at 31 December	
	2022	2023
	RMB'000	RMB'000
Trade receivables . . . . .	292,153	136,821
Impairment . . . . .	(8,349)	(7,513)
	<u>283,804</u>	<u>129,308</u>

The Group’s trade receivables mainly represent amounts receivable from third-party collaborated Distribution Channels, Third-party Publishers and Payment Channels. The credit period for collaborated Distribution Channels and Third-party Publishers are generally 30 days to 120 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by customer service department. In view of the aforementioned and the fact that the Group’s trade receivables principally relate to diversified application distribution platforms, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2022	2023
	RMB'000	RMB'000
Within 3 months . . . . .	281,876	129,303
3 to 6 months . . . . .	1,254	5
6 months to 1 year . . . . .	674	–
	<u>283,804</u>	<u>129,308</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2022	2023
	RMB'000	RMB'000
At beginning of the year . . . . .	942	8,349
Provision/(reversal of provision) for expected credit losses, net ( <i>note 6</i> ) . . . . .	7,407	(804)
Amount written off as uncollectible . . . . .	–	(32)
At the end of the year . . . . .	<u>8,349</u>	<u>7,513</u>

The Group applies the simplified approach to provide for expected credit losses under IFRS 9, and the provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The Group used a calculation which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided for 100% of the defaulted receivables during the Relevant Periods.



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Set out below is the information about the credit risk exposure on the Group’s trade receivables measured at amortised cost using a provision matrix:

**As at 31 December 2022**

	Individual basis	Collective basis					Total
		Current	Past due				
			Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	
Expected credit loss rate . . . . .	100.00%	0.01%	0.47%	38.21%	75.13%	100.00%	2.86%
Gross carrying amount (RMB’000) . . . . .	6,281	277,276	5,801	246	2,541	8	292,153
Expected credit losses (RMB’000) . . . . .	6,281	30	27	94	1,909	8	8,349

**As at 31 December 2023**

	Individual basis	Collective basis					Total
		Current	Past due				
			Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	
Expected credit loss rate . . . . .	100.00%	0.05%	2.41%	0.00%	100.00%	100.00%	5.49%
Gross carrying amount (RMB’000) . . . . .	6,606	128,445	956	–	1	813	136,821
Expected credit losses (RMB’000) . . . . .	6,606	70	23	–	1	813	7,513

**17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES AND CONTRACT COSTS**

**Prepayments, deposits and other receivables**

	As at 31 December	
	2022	2023
	RMB’000	RMB’000
Non-current		
Prepayments . . . . .	16,477	19,236
Deposits and other receivables . . . . .	3,266	2,894
	19,743	22,130
Less: Allowance for impairment . . . . .	3,057	3,057
	16,686	19,073
Current		
Prepayments . . . . .	1,705	21,903
Prepaid [REDACTED]. . . . .	[REDACTED]	[REDACTED]
Deposits . . . . .	7,245	19,641
VAT receivables . . . . .	3,780	20,189
Other receivables . . . . .	19,172	31,868
	34,042	97,214
Less: Allowance for impairment . . . . .	8,463	8,463
	25,579	88,751

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Non-financial assets included above are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The allowance of impairment for prepayments as at 31 December 2022 and 2023 was RMB3,057,000 and RMB3,057,000, respectively. Except for certain prepaid balance for which the counterparty failed to execute the relevant contracts and the Group has made full provision, the other balances are within the contract term with no historical default and past due amounts.

The movements in the loss allowance for impairment of non-financial assets included in prepayments, deposits and other receivables are as follows:

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning and the end of the year . . . . .	<u>3,057</u>	<u>3,057</u>

For financial assets included above, an impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for other receivables under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. The defaulted other receivables as at 31 December 2022 and 2023 was RMB8,463,000 and RMB8,463,000, respectively. The remaining other receivables were not past due with no recent history of default.

The movements in the loss allowance for impairment of financial assets included in prepayments, deposits and other receivables are as follows:

	Expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022. . . . .	–	–	8,928	8,928
Amount written off as uncollectible . . . . .	–	–	(465)	(465)
At 31 December 2022 and 31 December 2023 . . . . .	<u>–</u>	<u>–</u>	<u>8,463</u>	<u>8,463</u>

**Contract costs**

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Contract costs – unamortised commission cost charged by Distribution Channels, Third-party Publishers and game developers . . . . .	<u>136,324</u>	<u>90,851</u>

Costs to fulfil a contract with a customer, which primarily consist of unamortised commissions cost charged by Distribution Channels, Third-party Publishers and game developers for services to be provided to the Group throughout the Player Relationship Period and intellectual property granted to the Group throughout the contract period, are capitalised as contract costs and amortised over the Player Relationship Period because the Group expects to recover these costs. Amounts amortised to profit or loss when the related revenue is recognised during the Relevant Periods were RMB3,880,654,000 and RMB3,850,396,000, respectively.

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**18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Wealth management products, at fair value . . . . .	40,067	15,229

The above wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

**19. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances . . . . .	273,932	330,454
Cash held by other financial institutions* . . . . .	1,863	3,990
Less: Restricted cash . . . . .	129	132,536
Cash and cash equivalents . . . . .	<u>275,666</u>	<u>201,908</u>
Denominated in:		
RMB . . . . .	247,445	185,344
HKD . . . . .	1,254	3,565
USD . . . . .	26,967	12,999
Cash and cash equivalents . . . . .	<u>275,666</u>	<u>201,908</u>

\* As of 31 December 2022 and 2023, the Group had certain amounts of cash held in accounts managed by other financial institutions, such as Alipay and WeChat Pay in connection with the provision of online and mobile payment services which have been classified as cash and cash equivalents on the consolidated statements of financial position.

As at 31 December 2023, restricted cash of RMB4,041,000 was frozen in designated bank accounts for litigation, RMB89,214,000 and RMB39,141,000 were pledged for bills payables and interest-bearing bank borrowings, respectively, and RMB140,000 was relevant interest receivable from banks.

As at 31 December 2022, restricted cash of RMB129,000 was frozen in designated bank accounts for litigation.

The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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**20. TRADE AND BILLS PAYABLES**

	As at 31 December	
	2022	2023
	RMB'000	RMB'000
Trade payables to third parties . . . . .	147,170	40,610
Bills payables . . . . .	–	92,530
	<u>147,170</u>	<u>133,140</u>

An ageing analysis of the trade and bills payables as at 31 December 2022 and 2023, based on the invoice date, is as follows:

	As at 31 December	
	2022	2023
	RMB'000	RMB'000
Within 3 months . . . . .	82,432	120,801
3 months to 1 year . . . . .	62,286	11,558
1 to 2 years . . . . .	328	15
Over 2 years . . . . .	2,124	766
	<u>147,170</u>	<u>133,140</u>

Trade payables are unsecured, non-interest-bearing and are normally settled on terms of 90 days. Bills payables are secured, non-interest-bearing and are normally settled on terms of 180 days.

Included in trade payables are amounts of RMB139,773,000 and RMB38,870,000 payables to game developers as at 31 December 2022 and 2023, respectively. Included in bills payable are amounts of nil and RMB92,530,000 payables to advertising and marketing agencies as at 31 December 2022 and 2023, respectively.

In 2023, the Group entered into supplier finance arrangements with banks. Pursuant to the agreements, the banks provided a facility of RMB560 million for issuing bills to the suppliers of the Group with a pledge of deposit of RMB89,214,000 from the Group at 31 December 2023.

Under these supplier finance arrangements, the Group’s suppliers can elect to discount their unexpired bills received from the Group and the banks will pay the suppliers directly and the Group bears relevant discount interest. The Group will subsequently make payments to the banks at maturity. As at 31 December 2023, bills payables of RMB92,530,000 have been paid by the banks to the suppliers.

**21. OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES**

**Other payables and accruals**

	Notes	As at 31 December	
		2022	2023
		RMB'000	RMB'000
Marketing and promotion services payables . . . . .	(a)	175,305	105,615
Salaries and benefits payables . . . . .	(b)	30,496	38,704
Other tax payables . . . . .	(b)	10,403	14,671
Other payables and accruals . . . . .	(b)	15,155	8,926
		<u>231,359</u>	<u>167,916</u>

(a) Marketing and promotion services payables are unsecured, non-interest-bearing and normally settled on terms of 30 to 60 days.

(b) Other payables and accruals are unsecured and non-interest-bearing and normally settled on terms of 30 days.



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- (a) All of the Group’s bank borrowings were denominated in RMB.
- (b) The Group’s bank borrowing as at 31 December 2023 is guaranteed up to RMB10,012,000 by the Company’s subsidiaries namely Shanghai Jushi, Shanghai Qunong and Shanghai Yuanxi, Mr. Wu Shuchao (former legal representative of Shanghai Yuanxi) and an independent third-party guarantee company namely Chengdu SME Financing Guarantee Co., Ltd. with an annual guarantee rate of 2.5%; up to RMB5,006,000 by Ms. Guo Xiaolan; up to RMB38,824,000 by the pledge of the Group’s deposits of RMB39,141,000.

The Group’s bank borrowing as at 31 December 2022 is guaranteed up to RMB15,019,000 by Mr. Wu Shuchao, Mr. Xiao Jian (legal representative of Shanghai Jushi) and Ms. Guo Xiaolan, the Company’s subsidiaries namely Shanghai Jushi and Shanghai Qunong, and an independent third-party guarantee company namely Chengdu SME Financing Guarantee Co., Ltd., with an annual guarantee rate of 2%.

**23. DEFERRED TAX**

The movements in deferred tax assets and deferred tax liabilities during the Relevant Periods are as follows:

**Deferred tax assets**

	Tax losses	Lease liabilities	Impairment of financial assets and expenses accrual	Impairment of non-financial assets	Contract liabilities	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2022 . . . . .	49,852	2,507	2,576	863	15,680	71,478
Deferred tax credited to profit or loss during the year ( <i>note 10</i> ) . . . . .	<u>16,487</u>	<u>9,713</u>	<u>1,735</u>	<u>–</u>	<u>28,652</u>	<u>56,587</u>
At 31 December 2022 and at 1 January 2023 . . . . .	66,339	12,220	4,311	863	44,332	128,065
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 10</i> ) . . . . .	<u>21,800</u>	<u>1,325</u>	<u>(317)</u>	<u>–</u>	<u>(15,520)</u>	<u>7,288</u>
At 31 December 2023 . . . . .	<u>88,139</u>	<u>13,545</u>	<u>3,994</u>	<u>863</u>	<u>28,812</u>	<u>135,353</u>

**Deferred tax liabilities**

	Right-of-use assets	Contract costs	Total
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
At 1 January 2022. . . . .	1,954	12,482	14,436
Deferred tax charged to profit or loss during the year ( <i>note 10</i> ) . . . . .	<u>9,579</u>	<u>21,599</u>	<u>31,178</u>
At 31 December 2022 and at 1 January 2023 . . . . .	11,533	34,081	45,614
Deferred tax charged/(credited) to profit or loss during the year ( <i>note 10</i> ) . . . . .	<u>1,474</u>	<u>(11,496)</u>	<u>(10,022)</u>
At 31 December 2023 . . . . .	<u>13,007</u>	<u>22,585</u>	<u>35,592</u>

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For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statements of financial position . . . . .	82,451	99,761

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses . . . . .	102	3,518
Deductible temporary differences . . . . .	1,928	686
	<u>2,030</u>	<u>4,204</u>

The above tax losses were all arising in Mainland China that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the above items can be utilised.

According to the applicable PRC tax regulations, dividends distributed by a company established in Mainland China to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax (“WHT”). If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered between Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5% in certain circumstances.

Since the Group intends to reinvest the undistributed earnings of its subsidiaries in Mainland China of RMB239,090,000 and RMB251,369,000 as at 31 December 2022 and 2023, respectively, to further expand its businesses in Mainland China after the Reorganisation, it currently does not intend to declare dividends to outside Mainland China in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each of the Relevant Periods.

**24. SHARE CAPITAL**

**The Group and the Company**

	As at 31 December	
	2022	2023
	<i>USD</i>	<i>USD</i>
Authorised:		
5,000,000,000 ordinary shares of USD0.00001 each . . . . .	50,000	50,000
Issued but not paid:		
10,000 ordinary shares of USD0.00001 each. . . . .	0.1	0.1

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The movements in the Company’s share capital during the Relevant Periods are as follows:

	<u>Number of shares in issue</u>	<u>Share capital</u> <i>RMB’000</i>
At 24 November 2022 (date of incorporation) . . . . .	10,000	–
At 31 December 2022 and 31 December 2023 . . . . .	<u>10,000</u>	<u>–</u>

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 November 2022 with initial authorised share capital of USD50,000 divided into 5,000,000,000 ordinary shares of a par value of USD0.00001 each. Upon incorporation, one share was allotted and issued to Sertus Nominees (Cayman) Limited, and was subsequently transferred to Orchid Lan Family Holdings Limited. On the same day, 3,656 shares were allotted and issued to Orchid Lan Family Holdings Limited at par value, 6,043 shares were allotted and issued to Great Guo Family Holdings Limited at par value and 300 shares were allotted and issued to Springberg Family Holdings Limited at par value. These shares were not paid as at 31 December 2022 and 2023.

**25. RESERVES**

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

**Capital reserve**

The capital reserve of the Group represents the capital contributions from the then equity holders of the Group’s subsidiaries, after elimination of investments in subsidiaries.

**Statutory surplus reserve**

In accordance with the Company Law of the PRC and the respective articles of association of the Group’s PRC subsidiaries, each of those subsidiaries that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve is non-distributable except that in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, it can be used to offset accumulated losses or be capitalised as paid-up capital.

**Exchange fluctuation reserve**

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies of which the functional currency is not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the Historical Financial Information.

**26. CONTINGENT LIABILITIES**

At the end of each of the Relevant Periods, the Group did not have any material contingent liabilities.



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**27. COMMITMENTS**

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for but not yet incurred		
Purchase of leasehold improvement . . . . .	1,680	729
Purchase of patents and licences . . . . .	4,500	1,100
	<u>6,180</u>	<u>1,829</u>

**28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(a) Major non-cash transactions**

During 2022, the Group had respective non-cash addition of RMB44,710,000 and RMB44,710,000 to right-of-use assets and lease liabilities, in respect of lease arrangements for office premises.

During 2023, the Group had respective non-cash addition of RMB24,242,000 and RMB24,242,000 to right-of-use assets and lease liabilities, in respect of lease arrangements for office premises.

**(b) Changes in liabilities arising from financing activities**

*Year ended 31 December 2022*

	Interest-bearing bank borrowings	Lease liabilities	Dividends payable	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022 . . . . .	10,014	9,622	–	19,636
Proceeds from bank borrowings . . .	15,000	–	–	15,000
Repayment of bank borrowings . . .	(10,000)	–	–	(10,000)
Repayment of interest expenses . . .	(531)	–	–	(531)
New leases . . . . .	–	44,710	–	44,710
Accretion of interest expenses . . . .	536	868	–	1,404
Principal portion of lease payments .	–	(6,499)	–	(6,499)
Interest portion of lease payments . .	–	(868)	–	(868)
Dividends declared . . . . .	–	–	152,385	152,385
Dividends paid in cash . . . . .	–	–	(50,000)	(50,000)
Dividends offset against an amount due from a then equity holder . . .	–	–	(175)	(175)
As at 31 December 2022 . . . . .	<u>15,019</u>	<u>47,833</u>	<u>102,210</u>	<u>165,062</u>

*Year ended 31 December 2023*

	Interest-bearing bank borrowings	Lease liabilities	Dividends payable	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023 . . . . .	15,019	47,833	102,210	165,062
Proceeds from bank borrowings . . .	79,141	–	–	79,141
Repayment of bank borrowings . . .	(15,000)	–	–	(15,000)
Repayment of interest expenses . . .	(1,691)	–	–	(1,691)
New leases . . . . .	–	24,242	–	24,242
Accretion of interest expenses . . . .	1,057	1,924	–	2,981

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	Interest-bearing bank borrowings	Lease liabilities	Dividends payable	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Principal portion of lease payments . . . . .	–	(11,621)	–	(11,621)
Interest portion of lease payments . . . . .	–	(1,924)	–	(1,924)
Contract termination . . . . .	–	(6,272)	–	(6,272)
Dividends declared . . . . .	–	–	150,000	150,000
Dividends paid . . . . .	–	–	(196,000)	(196,000)
As at 31 December 2023. . . . .	<u>78,526</u>	<u>54,182</u>	<u>56,210</u>	<u>188,918</u>

**(c) Total cash outflow for leases**

Total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December	
	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>
Within operating activities. . . . .	102	698
Within investing activities. . . . .	–	547
Within financing activities. . . . .	<u>7,367</u>	<u>13,545</u>
	<u>7,469</u>	<u>14,790</u>

**29. RELATED PARTY TRANSACTIONS AND BALANCES**

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

**(a) Names and relationships of related parties**

Name	Relationship
Ms. Guo Xiaolan . . . . .	Shareholder and director
Chengdu Yicai Enterprise Management Center (Limited Partnership) . . . . .	Shareholder
Chengdu Liangyan Enterprise Management Center (Limited Partnership) . . . . .	Shareholder
Chengdu Beiyu Network Technology Co., Ltd. . . . .	Shareholder

**(b) Guarantees provided by related parties**

During the Relevant Periods, Ms. Guo Xiaolan provided guarantees for the Group’s interest-bearing bank borrowings as mentioned above in note 22 to the Historical Financial Information.

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**(c) Significant transactions with related parties**

*Repayment of loans from a related party*

	Year ended 31 December	
	2022	2023
	RMB'000	RMB'000
Chengdu Yicai Enterprise Management Center (Limited Partnership) . . . . .	16,000	–
	<u>          </u>	<u>          </u>

*Interest income from a related party*

	Year ended 31 December	
	2022	2023
	RMB'000	RMB'000
Chengdu Yicai Enterprise Management Center (Limited Partnership) . . . . .	175	–
	<u>          </u>	<u>          </u>

**(d) Outstanding balance with related parties**

*Dividends payable*

	As at 31 December	
	2022	2023
	RMB'000	RMB'000
Chengdu Liangyan Enterprise Management Center (Limited Partnership) . . . . .	41,146	–
Chengdu Yicai Enterprise Management Center (Limited Partnership) . . . . .	33,541	31,808
Chengdu Beiyu Network Technology Co., Ltd. . . . .	17,071	–
	<u>91,758</u>	<u>31,808</u>

The dividends payable are repayable within one year or on demand.

**(e) Compensation of key management personnel of the Group**

	Year ended 31 December	
	2022	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind . . . . .	1,981	2,359
Performance-related bonuses . . . . .	5,281	5,762
Pension scheme contributions . . . . .	96	162
	<u>7,358</u>	<u>8,283</u>

Further details of directors’ and the chief executive’s emoluments are included in note 8 to the Historical Financial Information.

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**30. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial assets at amortised cost</b>		
Trade receivables . . . . .	283,804	129,308
Financial assets included in prepayments, deposits and other receivables . . . . .	21,220	45,940
Restricted cash . . . . .	129	132,536
Cash and cash equivalents . . . . .	<u>275,666</u>	<u>201,908</u>
	580,819	509,692
<b>Financial assets at fair value through profit or loss</b>		
Financial assets at fair value through profit or loss . . . . .	<u>40,067</u>	<u>15,229</u>
	<u>620,886</u>	<u>524,921</u>

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial liabilities at amortised cost</b>		
Trade and bills payables . . . . .	147,170	133,140
Financial liabilities included in other payables and accruals . .	190,460	114,541
Lease liabilities . . . . .	47,833	54,182
Interest-bearing bank borrowings . . . . .	<u>15,019</u>	<u>78,526</u>
	400,482	380,389

**31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

As at 31 December 2022 and 2023, the fair values of the Group’s financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, restricted cash, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. Their carrying amounts approximate to their fair values at the end of each of the Relevant Periods.

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The fair values of wealth management products issued by banks in Mainland China have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

*As at 31 December 2022*

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Financial assets at fair value through profit or loss. . . . .	–	40,067	–	40,067

*As at 31 December 2023*

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Financial assets at fair value through profit or loss. . . . .	–	15,229	–	15,229

During the Relevant Periods, there were no transfers of fair value measures between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group’s principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

**Interest rate risk**

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s interest-bearing bank borrowings. The interest rates and terms of repayments of the bank borrowings are disclosed in note 22 to the Historical Financial Information.

Given that the interest rate for the interest-bearing bank borrowings is fixed, the exposure to interest rate risk was considered to be not material for the Group as at the end of each of the Relevant Periods.

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**Foreign currency risk**

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units’ functional currencies. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as at 31 December 2022 and 2023 to a reasonably possible change by 5% in the USD exchange rates against RMB and the HKD exchange rates against RMB with all other variables held constant, of the Group’s profit before tax due to changes in the translated values of monetary assets and liabilities.

	As at 31 December	
	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>
If USD weakens against RMB by 5%		
Increase in profit before tax . . . . .	12	400
If USD strengthens against RMB by 5%		
Decrease in profit before tax . . . . .	(12)	(400)

**Credit risk**

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group’s maximum exposure to credit risk is the carrying amounts of trade receivables, financial assets included in prepayments, deposits and other receivables, restricted cash and cash and cash equivalents.

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the Distribution Channels, Third-party Publishers and Payment Channels are usually 30 days to 120 days and the credit quality of these customers are assessed by taking into account their financial position, past experience and other factors.

To manage risk arising from financial assets included in prepayments, deposits and other receivables, management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group’s outstanding financial assets included in prepayments, deposits and other receivables is low.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the Relevant Periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. The Group considers available reasonable and supportive forward-looking information.

***Maximum exposure and year-end staging as at 31 December 2022 and 2023***

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022 and 2023. The amounts presented are gross carrying amounts for financial assets.

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	As at 31 December 2022				
	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	292,153	292,153
Financial assets included in prepayments, deposits and other receivables					
– Normal**	21,220	–	–	–	21,220
– Doubtful**	–	–	8,463	–	8,463
Restricted cash					
– Not yet past due	129	–	–	–	129
Cash and cash equivalents					
– Not yet past due	275,666	–	–	–	275,666
	<u>297,015</u>	<u>–</u>	<u>8,463</u>	<u>292,153</u>	<u>597,631</u>

	As at 31 December 2023				
	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	136,821	136,821
Financial assets included in prepayments, deposits and other receivables					
– Normal**	45,940	–	–	–	45,940
– Doubtful**	–	–	8,463	–	8,463
Restricted cash					
– Not yet past due	132,536	–	–	–	132,536
Cash and cash equivalents					
– Not yet past due	201,908	–	–	–	201,908
	<u>380,384</u>	<u>–</u>	<u>8,463</u>	<u>136,821</u>	<u>525,668</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 16 to the Historical Financial Information.

\*\* The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 16 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s trade receivables are widely dispersed.

**APPENDIX IA**

**ACCOUNTANTS’ REPORT**

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank borrowings.

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, was as follows:

	As at 31 December 2022		
	Within 1 year or on demand	1 to 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	147,170	–	147,170
Financial liabilities included in other payables and accruals . . . . .	190,460	–	190,460
Lease liabilities . . . . .	15,699	35,904	51,603
Interest-bearing bank borrowings. . . . .	15,329	–	15,329
	<u>368,658</u>	<u>35,904</u>	<u>404,562</u>

	As at 31 December 2023		
	Within 1 year or on demand	1 to 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	133,140	–	133,140
Financial liabilities included in other payables and accruals . . . . .	114,541	–	114,541
Lease liabilities . . . . .	14,338	46,351	60,689
Interest-bearing bank borrowings. . . . .	78,781	–	78,781
	<u>340,800</u>	<u>46,351</u>	<u>387,151</u>



**APPENDIX IA**

**ACCOUNTANTS’ REPORT**

**Capital management**

The Group’s policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group regards equity attributable to owners of the parent as its capital.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The directors of the Company review the asset-liability ratio, which is total liability divided by total assets, on a continuous basis, taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts and management of the asset-liability ratios. The Group’s overall strategy remained unchanged during the Relevant Period. The asset-liability ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December	
	2022	2023
	RMB’000	RMB’000
Total assets . . . . .	912,426	847,899
Total liabilities . . . . .	741,603	629,021
Asset-liability ratio . . . . .	<u>81.28%</u>	<u>74.19%</u>

**33. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of its companies now comprising the Group in respect of any period subsequent to 31 December 2023.

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**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION TO THE DIRECTORS OF UNI-STAR INTERACTIVE HOLDING  
LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG  
SECURITIES LIMITED**

**Introduction**

We have reviewed the interim financial information set out on pages IB-3 to IB-27, which comprises the condensed consolidated statement of financial position of Uni-Star Interactive Holding Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 September 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

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**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

[●]

*Certified Public Accountants*

Hong Kong

[Date]

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**I. INTERIM FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Nine months ended 30 September</b>	
		<b>2024</b>	<b>2023</b>
		<i>RMB'000 (Unaudited)</i>	<i>RMB'000 (Unaudited)</i>
REVENUE . . . . .	5	2,094,507	4,261,381
Cost of sales . . . . .		<u>(1,393,689)</u>	<u>(3,204,161)</u>
Gross profit . . . . .		700,818	1,057,220
Other income and gains . . . . .	5	14,374	19,900
Selling and distribution expenses . . . . .		(612,370)	(700,044)
Administrative expenses . . . . .		(35,862)	(34,889)
Research and development costs . . . . .		(165,832)	(147,127)
Impairment loss on financial assets, net. . . . .	6	124	1,453
Other expenses . . . . .		(122)	(1,281)
Finance costs . . . . .		(3,392)	(1,983)
Share of loss of an associate . . . . .	12	<u>(2,896)</u>	<u>–</u>
(LOSS)/PROFIT BEFORE TAX . . . . .	6	(105,158)	193,249
Income tax credit/(expense) . . . . .	7	<u>57,991</u>	<u>(15,075)</u>
(LOSS)/PROFIT FOR THE PERIOD AND (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY . . . . .		<u>(47,167)</u>	<u>178,174</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations . . . . .		(106)	1,290
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods . .		<u>(106)</u>	<u>1,290</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of the Company . . . . .		(15)	(12)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods . .		<u>(15)</u>	<u>(12)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD . . . . .		<u>(121)</u>	<u>1,278</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD AND TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY . . . . .		<u>(47,288)</u>	<u>179,452</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted . . . . .	9	<u>N/A</u>	<u>N/A</u>

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 September</b>	<b>31 December</b>
	<i>Notes</i>	<b>2024</b>	<b>2023</b>
		<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment . . . . .	10	13,767	17,011
Right-of-use assets . . . . .		30,363	51,827
Other intangible assets . . . . .		2,539	1,182
Prepayments, deposits and other receivables . . . . .		25,843	19,073
Investment in an associate . . . . .	12	17,104	–
Deferred tax assets . . . . .	15	157,756	99,761
Total non-current assets . . . . .		247,372	188,854
<b>CURRENT ASSETS</b>			
Trade receivables . . . . .	11	71,987	129,308
Prepayments, deposits and other receivables . . . . .		84,464	88,751
Contract costs . . . . .		58,735	90,851
Financial assets at fair value through profit or loss . . . . .		–	15,229
Amount due from a related party . . . . .	19	10,050	–
Tax recoverable . . . . .		562	462
Restricted cash . . . . .		127,148	132,536
Cash and cash equivalents . . . . .		59,418	201,908
Total current assets . . . . .		412,364	659,045
<b>CURRENT LIABILITIES</b>			
Trade and bills payables . . . . .	13	134,929	133,140
Other payables and accruals . . . . .		133,821	167,916
Contract liabilities . . . . .		85,631	119,321
Interest-bearing bank borrowings . . . . .	14	52,134	78,526
Lease liabilities . . . . .		9,835	12,762
Tax payable . . . . .		9,926	14,182
Dividends payable . . . . .		35,210	56,210
Total current liabilities . . . . .		461,486	582,057
NET CURRENT (LIABILITIES)/ASSETS . . . . .		(49,122)	76,988
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .			
		198,250	265,842
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities . . . . .		21,994	41,420
Contract liabilities . . . . .		4,666	5,544
Total non-current liabilities . . . . .		26,660	46,964
NET ASSETS . . . . .		171,590	218,878
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital . . . . .	16	–	–
Reserves . . . . .		171,590	218,878
<b>TOTAL EQUITY</b> . . . . .		171,590	218,878

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**Nine months ended 30 September 2024**

	Share capital	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At 1 January 2024 . . . . .	–	50,000	18,838	(576)	150,616	218,878
Loss for the period . . . . .	–	–	–	–	(47,167)	(47,167)
Other comprehensive income for the period:						
Exchange differences on translation of foreign operations . . .	–	–	–	(121)	–	(121)
Total comprehensive loss for the period . . . . .	–	–	–	(121)	(47,167)	(47,288)
At 30 September 2024 . . .	<u>–</u>	<u>50,000</u>	<u>18,838</u>	<u>(697)</u>	<u>103,449</u>	<u>171,590</u>

**Nine months ended 30 September 2023**

	Share capital	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At 1 January 2023 . . . . .	–	50,000	15,651	(1,499)	106,671	170,823
Profit for the period . . . . .	–	–	–	–	178,174	178,174
Other comprehensive income for the period:						
Exchange differences on translation of foreign operations . . .	–	–	–	1,278	–	1,278
Total comprehensive income for the period . . .	–	–	–	1,278	178,174	179,452
Dividend declared by subsidiaries to the then equity holders ( <i>note 8</i> ).	–	–	–	–	(150,000)	(150,000)
At 30 September 2023 . . .	<u>–</u>	<u>50,000</u>	<u>15,651</u>	<u>(221)</u>	<u>134,845</u>	<u>200,275</u>

\* These reserve accounts comprise the consolidated reserve of RMB171,590,000 (31 December 2023: RMB218,878,000) in the interim condensed consolidated statement of financial position as at 30 September 2024.

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<i>Notes</i>	<b>Nine months ended 30 September</b>	
		<b>2024</b>	<b>2023</b>
		<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax . . . . .		(105,158)	193,249
Adjustments for:			
Finance costs . . . . .		3,392	1,983
Interest income . . . . .	5	(2,729)	(2,280)
Share of loss of an associate . . . . .		2,896	–
Gain on disposal of financial assets at fair value through profit or loss . . . . .	5	(126)	(511)
Fair value gains on financial assets at fair value through profit or loss . . . . .	5	(165)	(1,017)
(Gain)/loss on early termination of leases . . . . .	6	(537)	847
Loss on disposal of items of property, plant and equipment . . . . .	6	1	12
Depreciation of property, plant and equipment . . . . .	6	3,930	4,105
Depreciation of right-of-use assets . . . . .	6	8,766	10,551
Amortisation of other intangible assets . . . . .	6	346	257
Reversal of impairment of trade receivables, net . . . . .	6	(135)	(1,453)
Impairment of financial assets included in prepayments, deposits and other receivables, net . . . . .	6	11	–
Foreign exchange differences, net . . . . .	6	(237)	(519)
		<u>(89,745)</u>	<u>205,224</u>
Decrease/(increase) in restricted cash . . . . .		5,388	(3,671)
Decrease in trade receivables . . . . .		57,530	158,971
Decrease/(increase) in prepayments, deposits and other receivables . . . . .		5,001	(117,050)
Decrease in contract costs . . . . .		32,635	42,652
Increase in trade and bills payables . . . . .		1,107	49,020
Decrease in contract liabilities . . . . .		(34,640)	(54,690)
Decrease in other payables and accruals . . . . .		(34,113)	(178,301)
Cash (used in)/generated from operations . . . . .		<u>(56,837)</u>	<u>102,155</u>
Interest received . . . . .		2,729	2,280
Income tax paid . . . . .		<u>(4,360)</u>	<u>(10,977)</u>
Net cash flows (used in)/generated from operating activities . . . . .		<u>(58,468)</u>	<u>93,458</u>

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

	Nine months ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of financial assets at fair value through profit or loss . . . . .	(149,000)	(810,149)
Disposal of financial assets at fair value through profit or loss . . . . .	164,520	781,563
Acquisition of an associate . . . . .	(17,500)	–
Purchases of items of property, plant and equipment . . . . .	(935)	(13,028)
Advance of a loan to an associate . . . . .	(10,050)	–
Addition to other intangible assets. . . . .	(11,703)	(9,772)
Net cash flows used in investing activities . . . . .	<u>(24,668)</u>	<u>(51,386)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment for deferred [REDACTED] . . . . .	[REDACTED]	[REDACTED]
New bank borrowings . . . . .	52,318	10,000
Repayment of bank borrowings . . . . .	(79,141)	(15,000)
Interest paid . . . . .	(1,735)	(324)
Guarantee fee for bank borrowings . . . . .	(175)	(212)
Principal portion of lease payments . . . . .	(8,464)	(8,520)
Interest portion of lease payments . . . . .	(1,079)	(1,466)
Dividend paid . . . . .	(21,000)	(91,758)
Net cash flows used in financing activities . . . . .	<u>(59,627)</u>	<u>(108,489)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS . . . . .</b>		
Cash and cash equivalents at beginning of period . . . . .	201,908	275,666
Effect of foreign exchange rate changes, net . . . . .	273	(513)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD. . . . .</b>	<u><u>59,418</u></u>	<u><u>208,736</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances. . . . .	184,335	209,682
Cash held by other financial institutions . . . . .	2,231	2,854
Less: Restricted cash . . . . .	127,148	3,800
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS . . . . .</b>	<u><u>59,418</u></u>	<u><u>208,736</u></u>



## APPENDIX IB UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### II. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands on 24 November 2022. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the reporting period the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the development and operation of mobile games (the “[REDACTED] Business”) in the People’s Republic of China (the “PRC”) and other countries and regions.

The Company and its subsidiaries now comprising the Group underwent the reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document (the “Reorganisation”). Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong). The particulars of the Company’s subsidiaries are set out below:

Entity name	Place of incorporation and operation/date of incorporation	Issued ordinary/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Uni-Star Interactive HK Limited ( <i>Note (a)</i> ) . . . . .	Hong Kong/ 2022-12-07	HKD10,000	100	–	Investment holding
Chengdu Uni-star Interactive Entertainment Network Technology Co., Ltd. 成都星邦互娛網絡科技有限公司* (“Chengdu Uni-star”) ( <i>Note (b)/Note (k)</i> ) . . . . .	PRC/Mainland China/ 2014-10-14	RMB10,216,800	–	100	Game development and operation
Chengdu Herunxuan Network Technology Co., Ltd. 成都合潤軒網絡科技有限公司* (“Chengdu Herunxuan”) ( <i>Note (e)/Note (k)</i> ) . . . . .	PRC/Mainland China/ 2019-02-28	RMB10,000,000	–	100	Game development and operation
Chengdu Hehuida Network Technology Co., Ltd. 成都合輝達網絡科技有限公司* (“Chengdu Hehuida”) ( <i>Note (e)/Note (k)</i> ) . . . . .	PRC/Mainland China/ 2019-02-27	RMB10,000,000	–	100	Game operation
Chengdu Jinhongtu Network Technology Co., Ltd. 成都錦宏圖網絡科技有限公司* (“Chengdu Jinhongtu”) ( <i>Note (j)/Note (k)</i> ) . . . . .	PRC/Mainland China/ 2019-02-26	RMB10,000,000	–	100	Game operation
Shanghai Qunong Network Technology Co., Ltd. 上海趣儂網絡科技有限公司* (“Shanghai Qunong”) ( <i>Note (c)/Note (k)</i> ) . . . . .	PRC/Mainland China/ 2018-07-23	RMB5,000,000	–	100	Game development and operation
Shanghai Jushi Network Technology Co., Ltd. 上海聚市網絡科技有限公司* (“Shanghai Jushi”) ( <i>Note (c)/Note (k)</i> ) . . . . .	PRC/Mainland China/ 2015-04-22	RMB10,000,000	–	100	Game development and operation

APPENDIX IB

UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION

Entity name	Place of incorporation and operation/date of incorporation	Issued ordinary/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Shanghai Yuanxi Network Technology Co., Ltd. 上海圓戲網絡科技有限公司* (“Shanghai Yuanxi”) (Note (g)/Note (k)) . . . . .	PRC/Mainland China/ 2019-03-08	RMB10,000,000	–	100	Game development and operation
Shanghai Yuexi Network Technology Co., Ltd. 上海悅戲網絡科技有限公司* (“Shanghai Yuexi”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2019-03-08	RMB10,000,000	–	100	Game operation
Shanghai Aoren Network Technology Co., Ltd. 上海澳仁網絡科技有限公司* (“Shanghai Aoren”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2019-04-09	RMB10,000,000	–	100	Game operation
Guangzhou Uni-star Interactive Entertainment Network Co., Ltd. 廣州星邦互娛網絡有限公司* (“Guangzhou Uni-star”) (Note (d)) . . . . .	PRC/Mainland China/ 2017-09-11	RMB1,000,000	–	100	Internet data service
Hunan Ruiying Network Technology Co., Ltd. 湖南睿鷹網絡科技有限公司* (“Hunan Ruiying”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2020-09-11	RMB5,000,000	–	100	Game development
Yichun Jiangxin Network Technology Co., Ltd. 宜春匠心網絡科技有限公司* (“Yichun Jiangxin”) (Note (e)/Note (k)) . . . . .	PRC/Mainland China/ 2020-06-22	RMB5,000,000	–	100	Game development
Wonder Game Technology Co., Ltd. 奇妙互娛網絡科技有限公司 (“Wonder Game”) (Note (f)/Note (k)) . . . . .	Hong Kong/ 2010-10-25	HKD10,000	–	100	Game development and operation
Shanghai Lingku Network Technology Co., Ltd. 上海零酷網絡科技有限公司* (“Shanghai Lingku”) (Note (h)/Note (k)) . . . . .	PRC/Mainland China/ 2022-01-26	RMB1,000,000	–	100	Game development and operation
Shanghai Xuangan Network Technology Co., Ltd. 上海炫感網絡科技有限公司* (“Shanghai Xuangan”) (Note (h)) . . . . .	PRC/Mainland China/ 2022-01-26	RMB5,000,000	–	100	Game development
Hainan Uni-star Interactive Entertainment Network Technology Co., Ltd. 海南星邦互娛網絡科技有限公司* (“Hainan Uni-star”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2022-08-03	RMB5,000,000	–	100	Game operation
Hainan Jianzhi Network Technology Co., Ltd. 海南劍指網絡科技有限公司* (“Hainan Jianzhi”) (Note (i)/Note (k)) . . . . .	PRC/Mainland China/ 2022-08-04	RMB1,000,000	–	100	Game development and operation

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Entity name	Place of incorporation and operation/date of incorporation	Issued ordinary/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Shanghai Pingyekuo Network Technology Co., Ltd. 上海平野闊網絡科技有限公司* (“Shanghai Pingyekuo”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2023-03-09	RMB1,000,000	–	100	Game operation
Yibin Xingcheng Network Technology Co., Ltd. 宜賓星澄網絡科技有限公司* (“Yibin Xingcheng”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2023-06-19	RMB10,000,000	–	100	Game operation
Shanghai Qianwanlang Network Technology Co., Ltd. 上海千灣浪網絡科技有限公司* (“Shanghai Qianwanlang”) (Note (j)) . . . . .	PRC/Mainland China/ 2023-11-28	RMB30,000	–	100	Game development
Guangzhou Renfengjin Network Technology Co., Ltd. 廣州任風勁網絡科技有限公司* (“Guangzhou Renfengjin”) (Note (j)/Note (k)) . . . . .	PRC/Mainland China/ 2023-12-21	RMB1,000,000	–	100	Game development and operation
Uni-Star Technology HK Limited (Note (a)) . . . . .	Hong Kong/ 2023-12-22	HKD10,000	–	100	Game operation
Chengdu Dingqingshan Network Technology Co., Ltd. 成都定青山網絡科技有限公司* (“Chengdu Dingqingshan”) (Note (k)) . . . . .	PRC/Mainland China/ 2024-04-28	RMB1,000,000	–	100	Game operation
Huludao Uni-star Network Technology Co., Ltd. 葫蘆島星邦網絡科技有限公司* (“Huludao Uni-star”) (Note (k)) . . . . .	PRC/Mainland China/ 2024-06-27	RMB1,000,000	–	100	Game operation

Notes:

- (a) These entities were incorporated as company with limited liability under Hong Kong law. No audited financial statements have been prepared for these entities.
- (b) The entity was registered as a company of limited liability under PRC law. The statutory financial statements for the years ended 31 December 2023 prepared in accordance with generally accepted accounting principles of the PRC (the “PRC GAAP”) were audited by Guangdong Zhongzhixin Certified Public Accountants LLP (廣東中職信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.
- (c) These entities were registered as companies of limited liability under PRC law. The statutory financial statements for the years ended 31 December 2023 prepared in accordance with the PRC GAAP were audited by Shanghai Gaoren Certified Public Accountants GP (上海高仁會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (d) The entity was registered as a company of limited liability under PRC law with the name Guangzhou Longwan Cultural Innovation Network Co., LTD. and renamed Guangzhou Uni-star Interactive Entertainment Network Co., LTD. in 2021. The statutory financial statements for the years ended 31 December 2023 prepared in accordance with the PRC GAAP were audited by Guangdong Zhongzhixin Certified Public Accountants LLP (廣東中職信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

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- (e) These entities were registered as companies of limited liability under PRC law. No audited financial statements of the entities for the years ended 31 December 2023 have been prepared. Hunan Ruiying was deregistered on 23 March 2023 and Yichun Jiangxin was deregistered on 3 March 2023.
- (f) The entity was incorporated as a company with limited liability under Hong Kong law. Wonder Game was deregistered on 4 August 2023.
- (g) The entity was registered as a company of limited liability under PRC law. The statutory financial statements for the years ended 31 December 2023 prepared in accordance with PRC GAAP were audited by Shanghai Gaoren Certified Public Accountants GP (上海高仁會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (h) These entities were registered as companies of limited liability under PRC law. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC GAAP were audited by Shanghai Gaoren Certified Public Accountants GP (上海高仁會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (i) The entity was registered as a company of limited liability under PRC law. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC GAAP were audited by Guangdong Zhongzhixin Certified Public Accountants LLP (廣東中職信會計師事務所(特殊普通合夥)).
- (j) The entities were registered as companies with limited liability under PRC law. No audited financial statements of these entities have been prepared.
- (k) The entities were attributable to the Company through Contractual Arrangements with Guangzhou Uni-star.
- \* The English names of these companies in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names as they did not register any official English names.

### 2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document, the Company became the holding company of the companies now comprising the Group on 26 August 2024.

Chengdu Uni-star and its subsidiaries (collectively the “Consolidated Affiliated Entities”) are engaged in the [REDACTED] Business, which is prohibited or restricted from foreign ownership due to regulatory restrictions in Mainland China. Guangzhou Uni-star Limited WFOE (the “WFOE”), a wholly-owned subsidiary of the Company, has entered into the contractual arrangements (the “Contractual Arrangements”) with, among others, the Consolidated Affiliated Entities and their respective equity holders. The Contractual Arrangements enable the WFOE to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities.

Accordingly, the Consolidated Affiliated Entities are controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in the Consolidated Affiliated Entities. Details of the Contractual Arrangements are disclosed in the section headed “Contractual Arrangements” in the Document.

The Reorganisation only involved inserting new holding entities, including the WFOE, at the top of Chengdu Uni-star, the then holding company of the Group, and has not resulted in any change of economic substances. Accordingly, for the purpose of this report, the unaudited interim condensed consolidated financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the reporting period.

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The consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the reporting period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates of their incorporation or establishment, where this is a shorter period. The consolidated statement of financial position of the Group as at 30 September 2024 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. All intra-group transactions and balances have been eliminated on consolidation.

### 3. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial information for the reporting period has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s historical financial information for the years ended 31 December 2022 and 2023.

The accounting policies applied in the preparation of the unaudited interim condensed consolidated financial information are consistent with those used in the Group’s historical financial information for the years ended 31 December 2022 and 2023.

The unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

#### Going concern

The Group recorded net current liabilities of RMB49,122,000 as at 30 September 2024. Included therein were contract costs of RMB58,735,000 and current portion of contract liabilities of RMB85,631,000 as at 30 September 2024, which will be settled by game services to be provided by the Group. The directors have made an assessment, and concluded that the Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period, having regard to the followings:

- i. Management have prepared a cash flow forecast for the Group which covers a period over twelve months from the end of the reporting period based on approved business plans, which will generated sufficient cash flows from operations;
- ii. The Group has available undrawn borrowing facilities of RMB100,000,000 from reputable financial institutions that will not expire within twelve months from the end of the reporting period.

Accordingly, the directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial information of the Group for the reporting period on a going concern basis.

### 4. OPERATING SEGMENT INFORMATION

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

#### Geographical information

##### (a) Revenue from external customers

	Nine months ended 30 September	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Mainland China . . . . .	2,070,259	4,240,805
Outside Mainland China . . . . .	24,248	20,576
Total . . . . .	<u>2,094,507</u>	<u>4,261,381</u>

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*(b) Non-current assets*

As at 30 September 2024, substantially all of the non-current assets of the Group were located in Mainland China.

**Information about major customers**

During the nine months ended 30 September 2023 and 2024, there was no revenue derived from respective single external customer each accounted for more than 10% of total revenue.

**5. REVENUE, OTHER INCOME AND GAINS**

**Revenue from contracts with customers**

*(a) Disaggregated revenue information*

An analysis of revenue by category is as follows:

	Nine months ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>Types of goods or services</b>		
Self-publishing		
– Self-developed game . . . . .	679,506	830,554
– Licensed game . . . . .	35,602	95,862
Third-party publishing		
– Self-developed game . . . . .	881,432	1,442,383
– Licensed game . . . . .	497,967	1,892,582
Total revenue from contracts with customers . . . . .	<u>2,094,507</u>	<u>4,261,381</u>

	Nine months ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>Performance obligations</b>		
Self-developed game operation . . . . .	1,551,094	2,252,361
Licensed game operation . . . . .	533,569	1,988,444
Game licensing . . . . .	9,844	20,576
Total revenue from contracts with customers . . . . .	<u>2,094,507</u>	<u>4,261,381</u>

	Nine months ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>Geographical markets</b>		
Mainland China . . . . .	2,070,259	4,240,805
Outside Mainland China . . . . .	24,248	20,576
Total revenue from contracts with customers . . . . .	<u>2,094,507</u>	<u>4,261,381</u>

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	Nine months ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>Timing of revenue recognition</b>		
Service transferred overtime . . . . .	2,094,507	4,261,381
Total revenue from contracts with customers . . . . .	<u>2,094,507</u>	<u>4,261,381</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Nine months ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Revenue recognised that was included in contract liabilities at the beginning of the period:		
Provision of service . . . . .	<u>119,321</u>	<u>179,944</u>

**(b) Performance obligations**

Information about the Group’s performance obligations is summarised below:

*Self-developed game operation*

The performance obligation is satisfied over the estimated Player Relationship Period. Under self-publishing model, payment is due immediately when the paying players make in-game purchase, and payment from Distribution Channels, if applicable, is normally settled within 60 to 120 days. Under third-party publishing model, the payment is due immediately when the paying players make in-game purchases and payment is settled with Third-party Publishers normally within 60-120 days.

*Licensed game operation*

The Group acts as principal

The performance obligation is satisfied over the estimated Player Relationship Period. Under self-publishing model, the payment is due immediately when the paying players make in-game purchases, and payments from Distribution Channels, if applicable, are normally within 60 to 120 days. Under third-party publishing model, the payments are due immediately when the paying players make in-game purchases while payments are settled with Third-party Publishers normally within 60 to 120 days.

The Group acts as agent

The performance obligation is satisfied by conducting precision marketing, publishing and payment channel operation and brand incubation services throughout the contract period. Under self-publishing model, the Group withholds the cash after the paying players make in-game purchases, and payments from Distribution Channels, if applicable, are normally within 60 to 120 days. Under third-party publishing model, the payments are due when the statements are received and confirmed with the collaborating Third-party Publishers and received normally within 30 to 90 days. The Group settles the payments with third-party game developers within 30 to 90 days from the date of billing from third-party game developers.

*Game licensing*

The performance obligation is satisfied over the licence period (for a right to access). The payment is due when the statement is received and confirmed with the collaborating Third-party Publishers. The Group settles the payments with Third-party Publishers within 30 to 90 days from the date of billing.

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The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 September 2024 and 31 December 2023 are as follows:

	<u>30 September</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
Amounts expected to be recognised as revenue:		
Within one year . . . . .	85,631	119,321
After one year . . . . .	<u>4,666</u>	<u>5,544</u>
	<u>90,297</u>	<u>124,865</u>

The transaction amounts allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to game licensing services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

An analysis of other income and gains is as follows:

		<u>Nine months ended 30 September</u>	
	<i>Notes</i>	<u>2024</u>	<u>2023</u>
		<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
VAT additional deduction . . . . .		436	3,790
Government grants related to income . . . . .	<i>(a)</i>	6,851	9,472
Bank interest income . . . . .		2,729	2,280
Foreign exchange differences, net . . . . .		237	519
Gain on disposal of financial assets at fair value through profit or loss . . . . .		126	511
Fair value gains on financial assets at fair value through profit or loss . . . . .		165	1,017
Advertising income . . . . .	<i>(b)</i>	2,726	2,044
Gain on early termination of leases . . . . .		537	–
Others . . . . .		<u>567</u>	<u>267</u>
		<u>14,374</u>	<u>19,900</u>

(a) Amounts mainly represented government grants received from local government authorities in Mainland China, including instant refund system of VAT, grants to subsidy employment costs and bank interests etc. incurred by the Group. There were no unfulfilled conditions or contingencies attached to these government grants.

(b) Amounts mainly represented the advertising income received from a third party for providing advertising space in the game interface.



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**6. (LOSS)/PROFIT BEFORE TAX**

The Group’s (loss)/profit before tax is arrived at after charging/(crediting):

	Year ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Cost of services provided (excluding those included in employee benefit expense, depreciation, amortisation and promotion costs) . . . . .	1,370,785	3,184,216
Promotion expenses . . . . .	574,262	663,303
Depreciation of property, plant and equipment* . . . . .	3,930	4,105
Depreciation of right-of-use assets* . . . . .	8,766	10,551
Amortisation of other intangible assets* . . . . .	346	257
Research and development costs (excluding those included in employee benefit expense, depreciation, amortisation) . . . . .	23,546	12,934
Lease payment not included in the measurement of lease liabilities . . . . .	966	508
Auditor’s remuneration . . . . .	259	166
[REDACTED] . . . . .	[REDACTED]	[REDACTED]
Employee benefit expenses (excluding directors’ and chief executive officer’s remuneration):		
Wages and salaries . . . . .	182,647	169,270
Pension scheme contributions (defined contribution scheme)** . . . . .	7,923	6,687
Staff welfare expenses . . . . .	15,086	13,147
Total employee benefit expense . . . . .	205,656	189,104
Foreign exchange differences, net . . . . .	(237)	(519)
Reversal of impairment of trade receivables . . . . .	(135)	(1,453)
Impairment of financial assets included in prepayment, deposits and other receivables . . . . .	11	–
Loss on disposal of items of property, plant and equipment*** . . . . .	1	12
(Gain)/loss on early termination of leases . . . . .	(537)	847***

\* Included in cost of sales, selling and distribution expenses, administrative expenses and research and development costs in profit or loss during the reporting period.

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

\*\*\* Included in other expenses during the reporting period.

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### 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act and, accordingly, it is not subject to income tax from businesses carried out in the Cayman Islands.

The statutory tax rate for the subsidiaries in Hong Kong is 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the reporting period.

All of the Group’s subsidiaries registered in the PRC with operation in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with the relevant PRC Corporate Income Tax Law based on a statutory rate of 25% for the reporting period.

In 2023, Chengdu Hehuida met the requirements of the revised catalogue of industries whose development is encouraged in the western regions of Mainland China, where allow Corporate Income Tax (“CIT”) to be levied at a reduced rate of 15% for eligible enterprise.

Guangzhou Uni-star obtained the qualification as a “High and New Technology Enterprise” in 2023 and it is subject to a reduced preferential CIT rate of 15% for a three-year period from 2023 to 2025.

Hainan Uni-star and Chengdu Jinhongtu were accredited as “small meagre-profit enterprise” in 2023, under the relevant PRC Corporate Income Tax Law and regulations. Accordingly, Hainan Uni-star and Chengdu Jinhongtu included 25% of profit before tax in the taxable income and enjoyed a reduced tax rate of 20% in 2023.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). According to the Notice [2022] No. 28, which was promulgated by the Ministry of Science & Technology, Ministry of Finance, State Tax Bureau on 22 September 2022 and executed on 1 October 2022, the percentage of pre-tax additional deduction for research and development expenses of the Group’s entities had been increased to 100%.

The income tax expense for the reporting period are as follows:

	Nine months ended 30 September	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax – Mainland China . . . . .	4	9,187
Deferred income tax . . . . .	(57,995)	5,888
Total tax (credit)/charge for the period . . . . .	<u>(57,991)</u>	<u>15,075</u>

### 8. DIVIDEND

Pursuant to the resolutions of the shareholders’ meetings on 29 April 2022 and 3 November 2022, Chengdu Uni-star, a subsidiary of the Group, declared dividends of RMB40,000,000 and RMB112,385,000, respectively, to its then equity holders. The Group has settled RMB146,933,000, of which RMB146,758,000 was paid in cash and RMB175,000 was offset against an amount due from a then equity holder as at 30 September 2024.

Pursuant to the resolutions of the shareholders’ meetings on 4 July 2023, Chengdu Uni-star, a subsidiary of the Group, declared dividends of RMB150,000,000 to its then equity holders and has paid RMB120,242,000 as at 30 September 2024.

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### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the reporting period on a consolidated basis.

### 10. PROPERTY, PLANT AND EQUIPMENT

#### 30 September 2024

	Leasehold improvements	Motor vehicles	Office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2024:				
Cost . . . . .	23,695	626	10,200	34,521
Accumulated depreciation . . . . .	(11,491)	(398)	(5,621)	(17,510)
Net carrying amount . . . . .	<u>12,204</u>	<u>228</u>	<u>4,579</u>	<u>17,011</u>
As at 1 January 2024, net of accumulated depreciation . . . . .	12,204	228	4,579	17,011
Additions (unaudited) . . . . .	808	–	127	935
Disposals (unaudited) . . . . .	(248)	–	(1)	(249)
Depreciation provided during the period (unaudited) . . . . .	<u>(2,467)</u>	<u>(78)</u>	<u>(1,385)</u>	<u>(3,930)</u>
As at 30 September 2024, net of accumulated depreciation (unaudited) . . . . .	<u>10,297</u>	<u>150</u>	<u>3,320</u>	<u>13,767</u>
As at 30 September 2024:				
Cost (unaudited) . . . . .	24,255	626	10,326	35,207
Accumulated depreciation (unaudited) . . . . .	<u>(13,958)</u>	<u>(476)</u>	<u>(7,006)</u>	<u>(21,440)</u>
Net carrying amount (unaudited) . . . . .	<u>10,297</u>	<u>150</u>	<u>3,320</u>	<u>13,767</u>

#### 31 December 2023

	Leasehold improvements	Motor vehicles	Office equipment	Total
	<i>RMB'000</i> <i>(Audited)</i>	<i>RMB'000</i> <i>(Audited)</i>	<i>RMB'000</i> <i>(Audited)</i>	<i>RMB'000</i> <i>(Audited)</i>
As at 1 January 2023:				
Cost . . . . .	9,050	626	6,461	16,137
Accumulated depreciation . . . . .	(6,598)	(273)	(4,331)	(11,202)
Net carrying amount . . . . .	<u>2,452</u>	<u>353</u>	<u>2,130</u>	<u>4,935</u>
As at 1 January 2023, net of accumulated depreciation . . . . .	2,452	353	2,130	4,935
Additions . . . . .	14,645	–	3,739	18,384
Disposals . . . . .	–	–	(12)	(12)
Depreciation provided during the year . . . . .	<u>(4,893)</u>	<u>(125)</u>	<u>(1,278)</u>	<u>(6,296)</u>
As at 31 December 2023 net of accumulated depreciation . . . . .	<u>12,204</u>	<u>228</u>	<u>4,579</u>	<u>17,011</u>
As at 31 December 2023:				
Cost . . . . .	23,695	626	10,200	34,521
Accumulated depreciation . . . . .	<u>(11,491)</u>	<u>(398)</u>	<u>(5,621)</u>	<u>(17,510)</u>
Net carrying amount . . . . .	<u>12,204</u>	<u>228</u>	<u>4,579</u>	<u>17,011</u>

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**11. TRADE RECEIVABLES**

	<u>30 September</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables . . . . .	79,365	136,821
Impairment . . . . .	<u>(7,378)</u>	<u>(7,513)</u>
	<u>71,987</u>	<u>129,308</u>

The Group’s trade receivables mainly represent amounts receivable from third-party collaborated Distribution Channels, Third-party Publishers and Payment Channels. The credit period for collaborated Distribution Channels and Third-party Publishers are generally 30 days to 120 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by customer service department. In view of the aforementioned and the fact that the Group’s trade receivables principally relate to diversified application distribution platforms, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 30 September 2024 and 31 December 2023, based on the invoice date and net of loss allowance, is as follows:

	<u>30 September</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months . . . . .	71,983	129,303
3 to 6 months . . . . .	<u>4</u>	<u>5</u>
	<u>71,987</u>	<u>129,308</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	<u>30 September</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At beginning of period/year . . . . .	7,513	8,349
Reversal of provision for expected credit losses, net. . . . .	(135)	(804)
Amount written off as uncollectible . . . . .	<u>–</u>	<u>(32)</u>
At the end of the period/year . . . . .	<u>7,378</u>	<u>7,513</u>

The Group applies the simplified approach to provide for expected credit losses under IFRS 9, and the provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The Group used a calculation which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided for 100% of the defaulted receivables during the reporting period.

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

Set out below is the information about the credit risk exposure on the Group’s trade receivables measured at amortised cost using a provision matrix:

**As at 30 September 2024 (Unaudited)**

	Individual basis	Collective basis					Total
		Current	Past due				
			Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	
Expected credit loss rate . . . . .	100.00%	0.57%	4.75%	71.43%	100.00%	100.00%	9.30%
Gross carrying amount (RMB’000) . . . . .	6,278	71,530	906	14	1	636	79,365
Expected credit losses (RMB’000) . . . . .	6,278	410	43	10	1	636	7,378

**As at 31 December 2023 (Audited)**

	Individual basis	Collective basis					Total
		Current	Past due				
			Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	
Expected credit loss rate . . . . .	100.00%	0.05%	2.41%	0.00%	100.00%	100.00%	5.49%
Gross carrying amount (RMB’000) . . . . .	6,606	128,445	956	–	1	813	136,821
Expected credit losses (RMB’000) . . . . .	6,606	70	23	–	1	813	7,513

**12. INVESTMENT IN AN ASSOCIATE**

	As at 30 September 2024 RMB’000 (Unaudited)
Share of net assets . . . . .	2,161
Goodwill on acquisition* . . . . .	14,943
	<u>17,104</u>

\* The Group anticipated that its investment in Zhongrong Huatai will create a synergistic effect that will enhance the Group’s business growth in the mobile game market, particularly in the areas of game development and publishing.

The Group’s prepayments, other receivables and an amount due from the associate are disclosed in note 19 to the unaudited interim condensed consolidated financial information.

The following table illustrates the financial information of the Group’s associate that is not individually material:

	As at 30 September 2024 RMB’000 (Unaudited)
Share of the associate’s loss for the period . . . . .	(2,896)
Share of the associate’s total comprehensive loss for the period . . . . .	(2,896)
Aggregate carrying amount of the Group’s investment in the associate . . . . .	<u>17,104</u>

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On 15 December 2023, Chengdu Uni-star entered into an equity investment agreement with the shareholder of Zhongrong Huatai and agreed a capital injection of RMB20,000,000. The transaction was completed on 1 January 2024, and the Group obtained 20% of Zhongrong Huatai’s equity interest. According to the agreement, the Group has rights to appoint one out of three directors in the board of Zhongrong Huatai and accordingly, Zhongrong Huatai is treated as an associate of the Group. The Group’s shareholdings in the associate all comprise equity shares held by the Group.

The financial year of the above associate is coterminous with that of the Group.

**13. TRADE AND BILLS PAYABLES**

	<u>30 September</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables to third parties . . . . .	13,734	40,610
Bills payables . . . . .	<u>121,195</u>	<u>92,530</u>
	<u>134,929</u>	<u>133,140</u>

An ageing analysis of the trade and bills payables as at 30 September 2024, based on the invoice date, is as follows:

	<u>30 September</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months . . . . .	122,167	120,801
3 months to 1 year . . . . .	11,280	11,558
1 to 2 years . . . . .	712	15
Over 2 years . . . . .	<u>770</u>	<u>766</u>
	<u>134,929</u>	<u>133,140</u>

Trade payables are unsecured, non-interest-bearing and are normally settled on terms of 90 days. Bills payables are secured, non-interest-bearing and are normally settled on terms of 180 days.

Included in trade payables are amounts of RMB13,578,000 and RMB38,870,000 payable to game developers as at 30 September 2024 and 31 December 2023, respectively. Included in bills payable are amounts of RMB121,195,000 and RMB92,530,000 payable to advertising and marketing agencies as at 30 September 2024 and 31 December 2023, respectively.

In 2023, the Group entered into supplier finance arrangements with banks. Pursuant to the agreements, the banks provided a facility of RMB560 million for issuing bills to the suppliers of the Group. As at 30 September 2024 and 31 December 2023, the Group pledged a deposit of RMB92,530,000 and RMB89,214,000, respectively, to the banks for such suppliers finance arrangements.

Under these supplier finance arrangements, the Group’s suppliers can elect to discount their unexpired bills received from the Group and the banks will pay the suppliers directly and the Group bears relevant discount interest. The Group will subsequently make payments to the banks at maturity. As at 30 September 2024 and 31 December 2023, bills payables of RMB121,195,000 and RMB92,530,000, respectively, have been paid by the banks to the suppliers.

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**14. INTEREST-BEARING BANK BORROWINGS**

As at 30 September 2024 (Unaudited)			
	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank borrowings – secured (b) . . . . .	3.150-4.100	2025	22,369
Bank borrowings – unsecured. . . . .	2.000-3.450	2024-2025	29,765
			<u>52,134</u>
As at 31 December 2023			
	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank borrowings – secured (b) . . . . .	1.600-4.000	2024	53,842
Bank borrowings – unsecured. . . . .	2.500	2024	24,684
			<u>78,526</u>

- (a) All of the Group’s bank loans were denominated in RMB.
- (b) The Group’s bank borrowing as at 30 September 2024 is guaranteed up to RMB16,757,000 by the Company’s subsidiaries namely Shanghai Qunong, Shanghai Yuanxi and Chengdu Uni-star, and an independent third-party guarantee company namely Chengdu SME Financing Guarantee Co., Ltd. with an annual guarantee rate of 2.5%; up to RMB5,612,000 by the pledge of the Group’s deposits of RMB5,943,000.

The Group’s bank borrowing as at 31 December 2023 is guaranteed up to RMB10,012,000 by the Company’s subsidiaries namely Shanghai Jushi, Shanghai Qunong and Shanghai Yuanxi, Mr. Wu Shuchao (former legal representative of Shanghai Yuanxi) and an independent third-party guarantee company namely Chengdu SME Financing Guarantee Co., Ltd. with an annual guarantee rate of 2.5%; up to RMB5,006,000 by Ms. Guo Xiaolan; up to RMB38,824,000 by the pledge of the Group’s deposits of RMB39,141,000.

**15. DEFERRED TAX**

The movements in deferred tax assets and deferred tax liabilities during the reporting periods are as follows:

**Deferred tax assets**

	Tax losses	Lease liabilities	Impairment of financial assets and expenses accrual	Impairment of non-financial assets	Contract liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023. . . . .	66,339	12,220	4,311	863	44,332	128,065
Deferred tax credited/(charged) to profit or loss during the year . . . . .	<u>21,800</u>	<u>1,325</u>	<u>(317)</u>	<u>–</u>	<u>(15,520)</u>	<u>7,288</u>

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	Tax losses	Lease liabilities	Impairment of financial assets and expenses accrual	Impairment of non-financial assets	Contract liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2023 and at 1 January 2024 . . . . .	88,139	13,545	3,994	863	28,812	135,353
Deferred tax credited/(charged) to profit or loss during the period (unaudited). . . . .	<u>59,442</u>	<u>(5,579)</u>	<u>(34)</u>	<u>–</u>	<u>(9,596)</u>	<u>44,233</u>
At 30 September 2024 (unaudited) . . . . .	<u>147,581</u>	<u>7,966</u>	<u>3,960</u>	<u>863</u>	<u>19,216</u>	<u>179,586</u>

**Deferred tax liabilities**

	Right-of-use assets	Contract costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023. . . . .	11,533	34,081	45,614
Deferred tax charged/(credited) to profit or loss during the year . . . . .	<u>1,474</u>	<u>(11,496)</u>	<u>(10,022)</u>
At 31 December 2023 and at 1 January 2024 . . . . .	13,007	22,585	35,592
Deferred tax credited to profit or loss during the period (unaudited) . . . . .	<u>(5,416)</u>	<u>(8,346)</u>	<u>(13,762)</u>
At 30 September 2024 (unaudited). . . . .	<u>7,591</u>	<u>14,239</u>	<u>21,830</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the interim condensed consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30 September 2024	31 December 2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Net deferred tax assets recognised in the interim condensed consolidated statement of financial position. . . . .	<u>157,756</u>	<u>99,761</u>

**16. SHARE CAPITAL**

	30 September 2024
	<i>USD</i> (Unaudited)
Authorised:	
4,952,490,000 ordinary shares of USD0.00001 each . . . . .	49,525
47,510,000 preferred shares of USD0.00001 each . . . . .	475
	<u>50,000</u>
Issued but not paid:	
463,330,000 ordinary shares of USD0.00001 each . . . . .	4,633
47,510,000 preferred shares of USD0.00001 each . . . . .	475
	<u>5,108</u>



**APPENDIX IB** **UNAUDITED INTERIM CONDENSED  
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	<b>31 December</b>
	<b>2023</b>
	<i>USD</i>
	<i>(Audited)</i>
Authorised:	
5,000,000,000 ordinary shares of USD0.00001 each . . . . .	50,000
	50,000
Issued but not paid:	
10,000 ordinary shares of USD0.00001 each. . . . .	0.1
	0.1

The movements in the Company’s share capital during the reporting period are as follows:

	<b>Number of shares in issue</b>	<b>Share capital</b>
		<i>RMB’000</i>
At 24 November 2022 (date of incorporation) and at 31 December 2023 (audited) . . . . .	10,000	–
Share issued . . . . .	510,830,000	–
30 September 2024 (unaudited). . . . .	510,840,000	–

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 November 2022 with initial authorised share capital of USD50,000 divided into 5,000,000,000 ordinary shares of a par value of USD0.00001 each. Upon incorporation, one share was allotted and issued to Sertus Nominees (Cayman) Limited, and was subsequently transferred to Orchid Lan Family Holdings Limited. On the same date, 3,656 shares were allotted and issued to Orchid Lan Family Holdings Limited at par value, 6,043 shares were allotted and issued to Great Guo Family Holdings Limited at par value and 300 shares were allotted and issued to Springberg Family Holdings Limited at par value. These shares were not paid as at 30 September 2024 and 31 December 2023.

On August 28, 2024, (1) the authorised share capital of the Company was changed to USD\$50,000 divided into 5,000,000,000 shares, consisting of (i) 4,952,490,000 ordinary shares of a par value of USD\$0.00001 each and (ii) 47,510,000 preferred shares of a par value of USD\$0.00001 each by reclassifying and re-designating 47,510,000 ordinary shares of a par value of USD\$0.00001 each into 47,510,000 preferred shares of a par value of USD\$0.00001 each, and (2) 258,147,657 ordinary shares, 15,324,900 ordinary shares, 20,433,600 ordinary shares, 169,413,843 shares and 47,510,000 preferred shares were allotted and issued to Great Guo Family Holdings Limited, Springberg Family Holdings Limited, Sincebloom Family Holdings Limited, Orchid Lan Family Holdings Limited and Chengdu New-Eco Investment Holdings Limited, respectively. These shares were not paid as at 30 September 2024.

**17. CONTINGENT LIABILITIES**

At the end of the reporting period, the Group did not have any material contingent liabilities.

**18. COMMITMENTS**

The Group had the following capital commitments at the end of each of the reporting period:

	<b>30 September</b>	<b>31 December</b>
	<b>2024</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Contracted for but not yet incurred		
Purchase of leasehold improvement. . . . .	280	729
Purchase of patents and licences . . . . .	1,100	1,100
	1,380	1,829

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**19. RELATED PARTY TRANSACTIONS AND BALANCES**

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the reporting period.

**(a) Names and relationships of related parties**

Name	Relationship
Ms. Guo Xiaolan . . . . .	Shareholder and director
Chengdu Yicai Enterprise Management Center (Limited Partnership) . . . . .	Shareholder
Chengdu Zhongrong Huatai Network Technology Co., Ltd.* . . . . .	Associate

\* Chengdu Zhongrong Huatai Network Technology Co., Ltd. become an associate from 1 January 2024.

**(b) Guarantees provided by related parties**

During the reporting period, Ms. Guo Xiaolan provided guarantees for the Group’s interest-bearing bank borrowings as mentioned in note 14 to the unaudited interim condensed consolidated financial information.

**(c) Significant transactions with related parties**

*Loans provided to a related party*

	Nine months ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Chengdu Zhongrong Huatai Network Technology Co., Ltd. . .	10,050	—

*Art design fee*

	Nine months ended 30 September	
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Chengdu Zhongrong Huatai Network Technology Co., Ltd. . .	5,943	—

Art design fees were priced based on market prices.

**(d) Outstanding balance with related parties**

*Prepayments, deposits and other receivables*

	30 September	31 December
	2024	2023
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
<b>Trade-related</b> Chengdu Zhongrong Huatai Network Technology Co., Ltd. . .	32,928	—

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*Amount due from a related party*

	<u>30 September</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Non-trade-related</b>		
Chengdu Zhongrong Huatai Network Technology Co., Ltd. . . . .	10,050	–
	<u>          </u>	<u>          </u>

As at 30 September 2024, the prepayments, deposits and other receivables are unsecured and trade in nature including licensing fee with terms of three years after the relevant games’ commercial operation, advanced payment of the subsequent share of revenue, and prepaid art design fee.

As at 30 September 2024, the amount due from a related party is non-trade in nature, unsecured and subject to prevailing bank rate for one-year loan at maturity date and is repayable within one year.

An impairment analysis is performed at the end of each of the reporting period using a loss rate approach to measure expected credit losses. During the reporting period, the Group estimated that the expected loss rate for the above receivable is minimal.

*Dividends payable*

	<u>30 September</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Non-trade-related</b>		
Chengdu Yicai Enterprise Management Center (Limited Partnership) . . . . .	15,807	31,808
	<u>          </u>	<u>          </u>

The dividends payable are repayable within one year or on demand.

**(e) Compensation of key management personnel of the Group**

	<u>Nine months ended 30 September</u>	
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries, allowances and benefits in kind . . . . .	1,698	1,765
Performance-related bonuses . . . . .	1,143	4,268
Pension scheme contributions . . . . .	137	115
	<u>2,978</u>	<u>6,148</u>

**20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

As at 30 September 2024 and 31 December 2023, the fair values of the Group’s financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, an amount due from a related party, restricted cash, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. Their carrying amounts approximate to their fair values at 30 September 2024.

The fair values of wealth management products issued by banks in Mainland China have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

**As at 31 December 2023**

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Financial assets at fair value through profit or loss. . . . .	–	15,229	–	15,229
	=	<u>          </u>	=	<u>          </u>

During the reporting periods, there were no transfers of fair value measures between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

**21. EVENTS AFTER THE REPORTING PERIOD**

There was no significant event taken place subsequent to 30 September 2024.

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**APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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**APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]



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**APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX III**

**SUMMARY OF THE CONSTITUTION OF THE  
COMPANY AND CAYMAN COMPANIES ACT**

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**SUMMARY OF THE CONSTITUTION OF THE COMPANY**

**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the 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 Company as specified in Appendix V to this document.

**2 Articles of Association**

The Articles of Association of the Company were conditionally adopted on [●] 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 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 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 Company shall be managed by the Directors who may exercise all the powers of the 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.

*(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.

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**SUMMARY OF THE CONSTITUTION OF THE  
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*(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 Company to purchase shares in the Company or its subsidiaries.

*(f) Disclosure of interest in contracts with the 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 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 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 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 Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or 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;

**APPENDIX III**

**SUMMARY OF THE CONSTITUTION OF THE  
COMPANY AND CAYMAN COMPANIES ACT**

- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or 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 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 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 Company by virtue only of their interest in shares or debentures or other securities of the 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 Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the 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 Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

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*(h) Retirement, appointment and removal*

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The 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 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 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 Company that he resigns the office of Director;
- (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).

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At every annual general meeting of the 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 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 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 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.

**2.3 *Variation of rights of existing shares or classes of shares***

If at any time the share capital of the 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 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.

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**2.4 *Alteration of capital***

The 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 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 Company for the Company's benefit;
- (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 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 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 Company entitled to vote at a general meeting of the 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.

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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 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 Company aforesaid.

**2.6 *Voting rights***

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the 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.

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 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.



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Any corporation or other non-natural person which is a member of the 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 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 Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the 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 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.

***2.7 Annual general meetings and extraordinary general meetings***

The 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 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 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 Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the 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.

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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 Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the 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 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 Company or any of them shall be open to the inspection of members of the 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 Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the 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 Company for the period covered by the profit and loss account and the state of the 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 Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The 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 Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the 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 specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to

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be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the 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 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.

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 specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

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 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 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;
- (b) the Directors shall fix the date, time and place 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 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

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- (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 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 Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the 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 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;
- (e) the shares concerned are free of any lien in favour of the 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 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.

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The registration of transfers shall be suspended during such periods as the register of members of the 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 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 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 Company to purchase its own shares***

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the 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 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 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 Company lawfully available therefor, provided no dividends shall 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 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 Company such interim dividends as appear to the Directors to be justified by the profits of the 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.

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The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the 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 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 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 Company in general meeting have resolved that a dividend be paid or declared on the share capital of the 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 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 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 Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the 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 Company to elect to receive such dividend in cash in lieu of such allotment.

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 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 Company.

The Directors, with the sanction of the members of the 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

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or provide that the same shall accrue to the benefit of the 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 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 Company entitled to attend and vote at a general meeting of the 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 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.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the 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 Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the 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.

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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 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 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.

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 Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the 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 Company shall maintain or cause to be maintained the register of members of the 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 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 Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).





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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 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 Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### *2.21 Untraceable members*

The Company shall be entitled to sell any shares of a member of the 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 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 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 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 Company and upon receipt by the 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 Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 November 2022 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The 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.

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## APPENDIX III

## SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

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### 3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

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.

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## SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

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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 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.



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## **APPENDIX III**

# **SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT**

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### **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.

### **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

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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.

**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.

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### 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
- (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.





## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### A. FURTHER INFORMATION ABOUT OUR GROUP

#### 1. Incorporation of Our Company

Our Company was incorporated under the laws of the Cayman Islands on November 24, 2022 as an exempted company with limited liability.

Our registered office address is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As our Company is incorporated in the Cayman Islands, our Company’s corporate structure, Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

Our principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 17, 2023 with the Registrar of Companies in Hong Kong. Ms. Au Wing Sze (區詠詩) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

#### 2. Changes in the Share Capital of Our Company

Upon our incorporation, our authorized share capital was US\$50,000.00 divided into 5,000,000,000 Shares of a nominal or par value of US\$0.00001 each. On August 26, 2024, the authorized share capital of the Company was changed to US\$50,000 divided into 5,000,000,000 shares, consisting of (i) 4,952,490,000 ordinary shares of a par value of US\$0.00001 each and (ii) 47,510,000 Preferred Shares of a par value of US\$0.00001 each by reclassifying and re-designating 47,510,000 ordinary shares of a par value of US\$0.00001 each into 47,510,000 Preferred Shares of a par value of US\$0.00001 each.

Immediately following the completion of the [REDACTED] (without taking into account the Shares which may be issued pursuant to the exercise of the [REDACTED]), the issued share capital of the Company will be US\$[REDACTED] divided into [REDACTED] Shares of a par value of US\$0.00001 each, all fully paid or credited as fully paid.

Save as disclosed in the section headed in “History, Reorganization and Corporate Structure” in this document, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

#### 3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants’ Report.

The following sets out the changes in the share or registered capital of members of our Group within the two years immediately preceding the date of this document.

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***Shanghai Lingku Network Technology Co., Ltd. (上海零酷網絡科技有限公司)***

On May 13, 2024, the registered capital of Shanghai Lingku Network Technology Co., Ltd. decreased from RMB5.0 million to RMB1.0 million.

***Shanghai Pingyekuo Network Technology Co., Ltd. (上海平野闊網絡科技有限公司)***

On March 9, 2023, Shanghai Pingyekuo Network Technology Co., Ltd. was incorporated in the PRC as a limited liability company with an initial registered capital of RMB5.0 million.

On May 13, 2024, the registered capital of Shanghai Pingyekuo Network Technology Co., Ltd. decreased from RMB5.0 million to RMB1.0 million.

***Hainan Jianzhi Network Technology Co., Ltd. (海南劍指網絡科技有限公司)***

On May 27, 2024, the registered capital of Hainan Jianzhi Network Technology Co., Ltd. decreased from RMB5.0 million to RMB1.0 million.

***Hainan Xingbang Interactive Entertainment Network Technology Co., Ltd. (海南星邦互娛網絡科技有限公司)***

On May 28, 2024, the registered capital of Hainan Xingbang Interactive Entertainment Network Technology Co., Ltd. decreased from RMB5.0 million to RMB1.0 million.

***Guangzhou Renfengjin Network Technology Co., Ltd. (廣州任風勁網絡科技有限公司)***

On December 21, 2023, Guangzhou Renfengjin Network Technology Co., Ltd. was incorporated in the PRC as a limited liability company with an initial registered capital of RMB5.0 million.

On March 29, 2024, the registered capital of Guangzhou Renfengjin Network Technology Co., Ltd. decreased from RMB5.0 million to RMB1.0 million.

***Yibin Xingcheng Network Technology Co., Ltd. (宜賓星澄網絡科技有限公司)***

On June 19, 2023, Yibin Xingcheng Network Technology Co., Ltd. was incorporated in the PRC as a limited liability company with an initial registered capital of RMB10.0 million.

On April 11, 2024, the registered capital of Yibin Xingcheng Network Technology Co., Ltd. decreased from RMB10.0 million to RMB1.0 million.

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### *Chengdu Dingqingshan Network Technology Co., Ltd. (成都定青山網絡科技有限公司)*

On April 28, 2024, Chengdu Dingqingshan Network Technology Co., Ltd. was incorporated in the PRC as a limited liability company with an initial registered capital of RMB1.0 million.

### *Huludao Xingbang Network Technology Co., Ltd. (葫蘆島星邦網絡科技有限公司)*

On June 27, 2024, Huludao Xingbang Network Technology Co., Ltd. was incorporated in the PRC as a limited liability company with an initial registered capital of RMB1.0 million.

### *Chengdu Zhongrong Huatai Network Technology Co., Ltd. (成都中戎華泰網絡科技有限公司)*

On January 8, 2024, the registered capital of Chengdu Zhongrong Huatai Network Technology Co., Ltd. increased from RMB10.0 million to RMB12.5 million.

### *Uni-Star Interactive HK Limited*

On December 7, 2022, Uni-Star Interactive HK Limited was incorporated in Hong Kong as a limited liability company with an initial share capital of HK\$10,000.

### *Uni-Star Technology HK Limited*

On December 22, 2023, Uni-Star Technology HK Limited was incorporated in Hong Kong as a limited liability company with an initial share capital of HK\$10,000.

### *Shanghai Qianwanlang*

On November 28, 2023, Shanghai Qianwanlang was incorporated in the PRC as a limited liability company with an initial registered capital of RMB1.0 million.

On May 15, 2024, the registered capital of Shanghai Qianwanlang decreased from RMB1.0 million to RMB30,000.

Save as disclosed in this section and the section headed “History, Reorganization and Corporate Structure” in this document, there has been no alteration in the share capital or registered capital (as the case may be) of our Company’s subsidiaries during the two years preceding the date of this document.

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### 4. Resolutions of Our Shareholders

Pursuant to the written resolutions passed by our Shareholders on [●], it was resolved, among others, that conditional upon the conditions of the [REDACTED] (as set out in this document) being fulfilled:

- (a) conditional on (i) the Listing Committee granting the [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued as stated in this document; (ii) the [REDACTED] having been determined; (iii) the execution and delivery of the [REDACTED] on or around the [REDACTED]; and (iv) the obligations of the [REDACTED] under the [REDACTED] and the [REDACTED] under the [REDACTED] to be made with, amongst others, the Company, becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the [REDACTED] (for itself and on behalf of the [REDACTED])) and not being terminated in accordance with the terms thereof or otherwise:
  - (i) the [REDACTED] (including the [REDACTED]) were approved, and the proposed allotment and issue of the Shares under the [REDACTED] were approved, and the Directors were authorized to determine the [REDACTED] for the [REDACTED], and to allot and issue the Shares under the [REDACTED];
  - (ii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares to allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the [REDACTED], rights issue, pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time, or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED], excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED];

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- (iii) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED], excluding any Shares which may be issued pursuant to the exercise of the [REDACTED];
  - (iv) the general unconditional mandate as mentioned in paragraph (ii) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iii) above up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED], excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]; and
  - (v) the conversion of all of the authorized issued and unissued Preferred Shares into Shares on a one-to-one basis by re-designation and reclassification, each having the rights and restrictions as set out in the Memorandum and Articles, be approved with effect upon completion of the [REDACTED]; and
- (b) the Memorandum and the Articles were conditionally approved and adopted with effect from the [REDACTED].

Each of the general mandates referred to in paragraphs (a)(ii), (a)(iii) and (a)(iv) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting.

### 5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our [REDACTED].

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### *(a) Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

#### *(i) Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders at a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], 2025, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following completion of the [REDACTED] (excluding any Shares which may be issued under the [REDACTED]), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

#### *(ii) Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of Hong Kong and 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 from time to time. As a matter of Cayman Islands law, any repurchase by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

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### *(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

### *(iv) Status of Repurchased Shares*

All repurchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relevant certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless the Directors resolve to hold the shares repurchased by our Company as treasury shares prior to the repurchase, shares repurchased by our Company shall be treated as canceled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands law.

### *(v) Suspension of Repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for a listed 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, the listed company may not repurchase its shares on the Stock Exchange, other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.



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### *(vi) Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day on which a listed company makes a purchase of its shares. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including the number of securities purchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

### *(vii) Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined under the Listing Rules) and a core connected person shall not knowingly sell its securities to the company.

### *(b) Reasons for Repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase 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 Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

### *(c) Funding of Repurchases*

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of our Company or out of the proceeds of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

In the event that the Repurchase Mandate is exercised in full, there will not be a material adverse impact on the working capital or gearing position of our Company, as compared with the position as of March 31, 2024 as disclosed in the Accountants' Report. However, our Directors 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 of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

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## STATUTORY AND GENERAL INFORMATION

### *(d) General*

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED], could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions);
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws to be held; or
- (iii) the date when it is varied or revoked by an ordinary resolution of the Shareholders at a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors will exercise the Repurchase Mandate in accordance with the Listing Rules and applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agrees to waive the Listing Rules requirements regarding 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 of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

**B. FURTHER INFORMATION ABOUT OUR BUSINESS**

**1. Summary of Material Contract**

The following contract (not being a contract entered into in the ordinary course of business) was entered into by members of our Group within the two years immediately preceding the date of this document which is or may be material:

- (a) the [REDACTED].

**2. Intellectual Property Rights**

*(a) Trademarks*

As of the Latest Practicable Date, we had registered the following trademarks, which we consider to be material to our Group’s business:

No.	Trademark	Registered Owner	Class	Registration Number	Registration Place	Expiry Date
1		Our Company	9, 41, 42	306156243	Hong Kong	January 25, 2033
2	黎明召唤	Chengdu Uni-Star Interactive	41	31397567	PRC	May 6, 2029
3	天剑奇缘	Chengdu Uni-Star Interactive	41	31381537	PRC	July 6, 2029
4	天剑奇缘	Chengdu Uni-Star Interactive	9	31370976	PRC	July 6, 2029
5	斗笠江湖	Chengdu Uni-Star Interactive	41	44414088	PRC	January 27, 2031
6	异界深渊：觉醒	Chengdu Uni-Star Interactive	41	43338489	PRC	August 27, 2030
7	凡人飞剑	Chengdu Uni-Star Interactive	9	57757840	PRC	January 13, 2032
8	洪荒西行录	Chengdu Uni-Star Interactive	9	52761683	PRC	September 13, 2031
9		Chengdu Uni-Star Interactive	9	38258336	PRC	June 6, 2030

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

No.	Trademark	Registered Owner	Class	Registration Number	Registration Place	Expiry Date
10		Chengdu Uni-Star Interactive	42	38258345	PRC	June 6, 2030
11	9130 神机系统	Chengdu Uni-Star Interactive	9	61325085	PRC	August 13, 2032
12		Chengdu Uni-Star Interactive	41	61323360	PRC	August 13, 2032
13		Chengdu Uni-Star Interactive	9	61327060	PRC	August 13, 2032
14	星邦互娱诸葛亮系统	Chengdu Uni-Star Interactive	9	68575510	PRC	October 13, 2033
15	星邦聚量系统	Chengdu Uni-Star Interactive	9	61322031	PRC	June 13, 2032
16	山海剑途	Chengdu Uni-Star Interactive	9	66036009	PRC	October 13, 2033
17	星邦互娱孙大圣	Chengdu Uni-Star Interactive	41	68573731	PRC	October 13, 2033
18	星邦互娱孙大圣	Chengdu Uni-Star Interactive	9	68569840	PRC	October 13, 2033
19	星邦互娱二郎神系统	Chengdu Uni-Star Interactive	41	68569871	PRC	October 13, 2033
20	星邦互娱二郎神系统	Chengdu Uni-Star Interactive	9	68569865	PRC	October 13, 2033
21	9130 游戏盒子	Chengdu Uni-Star Interactive	9	67633658	PRC	October 20, 2033

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

No.	Trademark	Registered Owner	Class	Registration Number	Registration Place	Expiry Date
22	异界深渊：大灵王	Chengdu Herunxuan Network Technology Co., Ltd. (成都合潤軒網絡科技有限公司)	9	63513875	PRC	October 20, 2032
23	异界深渊：大灵王	Chengdu Herunxuan Network Technology Co., Ltd.	41	63505947	PRC	October 13, 2032

**(b) Domain Names**

As of the Latest Practicable Date, we had registered the following domain names, which we consider to be material to our Group’s business:

No.	Domain Name	Registered Owner	Expiry Date
1	xbhy.cn	Chengdu Uni-Star Interactive	April 7, 2027
2	9130.cn	Chengdu Uni-Star Interactive	April 14, 2027
3	cd9130.com	Chengdu Uni-Star Interactive	July 21, 2026
4	cd9130.cn	Chengdu Uni-Star Interactive	July 21, 2026
5	sh9130.com	Shanghai Jushi Network Technology Co., Ltd. (上海聚市網絡科技有限公司)	July 21, 2026
6	shqnon.com	Shanghai Qunong Network Technology Co., Ltd. (上海趣農網絡科技有限公司)	September 18, 2027
7	9130box.com	Shanghai Qunong Network Technology Co., Ltd.	August 30, 2025
8	9130box.cn	Shanghai Qunong Network Technology Co., Ltd.	August 30, 2025
9	gz9130.com	Guangzhou Uni-Star Interactive	October 30, 2025
10	hnxbhy.com	Hainan Xingbang Interactive Entertainment Network Technology Co., Ltd. (海南星邦互娛網絡科技有限公司)	October 11, 2025
11	hnjznet.com	Hainan Jianzhi Network Technology Co., Ltd. (海南劍指網絡科技有限公司)	October 11, 2025

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

**(c) Copyrights**

As of the Latest Practicable Date, we have registered the following copyrights, which we consider to be material to our Group’s business:

No.	Copyright	Registered Owner	Registration Number	Registration Place	Registration Date
1	Nine Realms: Sword & Immortals Promotional Series (《九州仙劍傳》宣化系列)	Chengdu Uni-Star Interactive	Guozuodengji-2020-F-00998936 (國作登字-2020-F-00998936)	PRC	April 9, 2020
2	Nine Realms: Sword & Immortals Original Character Series (《九州仙劍傳》角色原圖系列)	Chengdu Uni-Star Interactive	Guozuodengji-2020-F-00998963 (國作登字-2020-F-00998963)	PRC	April 9, 2020
3	Nine Realms: Sword & Immortals Primordial Dragon Render Series (《九州仙劍傳》太虛祖龍渲染圖系列)	Chengdu Uni-Star Interactive	Guozuodengji-2020-F-00998960 (國作登字-2020-F-00998960)	PRC	April 9, 2020
4	Nine Realms: Sword & Immortals Fairy Mansion Spirit Beast Series (《九州仙劍傳》仙府靈獸系列)	Chengdu Uni-Star Interactive	Guozuodengji-2020-F-00998952 (國作登字-2020-F-00998952)	PRC	April 9, 2020
5	Nine Realms: Sword & Immortals Cat Icon (《九州仙劍傳》貓圖標)	Chengdu Uni-Star Interactive	Guozuodengji-2020-F-00998893 (國作登字-2020-F-00998893)	PRC	April 9, 2020
6	Nine Realms: Sword & Immortals Mini Zombie Series (《九州仙劍傳》小殭屍系列)	Chengdu Uni-Star Interactive	Guozuodengji-2020-F-00998943 (國作登字-2020-F-00998943)	PRC	April 9, 2020
7	Nine Realms: Sword & Immortals Fairy Pet Mini Zombie Series (《九州仙劍傳》仙寵小殭屍系列)	Chengdu Uni-Star Interactive	Guozuodengji-2020-F-00998944 (國作登字-2020-F-00998944)	PRC	April 9, 2020

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No.	Copyright	Registered Owner	Registration Number	Registration Place	Registration Date
8	Demon Hunter Material 06 Witch (黎明召喚_素材_06女巫)	Chengdu Herunxuan Network Technology Co., Ltd.	Guozuodengzi-2021-F-00054565 (國作登字-2021-F-00054565)	PRC	March 9, 2021
9	Demon Hunter Material 04 Archangel (黎明召喚_素材_04大天使)	Chengdu Herunxuan Network Technology Co., Ltd.	Guozuodengzi-2021-F-00054564 (國作登字-2021-F-00054564)	PRC	March 9, 2021
10	Demon Hunter Material 03 Elf (黎明召喚_素材_03精靈)	Chengdu Herunxuan Network Technology Co., Ltd.	Guozuodengzi-2021-F-00054555 (國作登字-2021-F-00054555)	PRC	March 9, 2021
11	Demon Hunter Material LOGO-loading (黎明召喚_素材_LOGO-loading)	Chengdu Herunxuan Network Technology Co., Ltd.	Guozuodengzi-2021-F-00050943 (國作登字-2021-F-00050943)	PRC	March 4, 2021
12	Demon Hunter Game Software V1.0 (黎明召喚遊戲軟件 V1.0)	Chengdu Uni-Star Interactive	2017SR543670	PRC	September 25, 2017
13	Sword Fantasy Game Software V1.0 (天劍奇緣遊戲軟件 V1.0)	Chengdu Uni-Star Interactive	2019SR0022115	PRC	January 8, 2019
14	Nine Realms: Sword & Immortals Game Software V1.0 (九州仙劍傳遊戲軟件 V1.0)	Chengdu Uni-Star Interactive	2019SR0087674	PRC	January 24, 2019
15	Dawn Survival Game Software V1.0 (黎明生存遊戲軟件 V1.0)	Chengdu Uni-Star Interactive	2019SR0264247	PRC	March 20, 2019
16	Nine Realms: Sword & Immortals Game Software V2.0 (九州仙劍傳遊戲軟件 V2.0)	Chengdu Uni-Star Interactive	2019SR1100250	PRC	October 30, 2019
17	Sword Fantasy Game Software V2.0 (天劍奇緣遊戲軟件 V2.0)	Chengdu Uni-Star Interactive	2020SR0166481	PRC	February 24, 2020
18	Sword Fantasy Game Software V2.1 (天劍奇緣遊戲軟件 V2.1)	Chengdu Uni-Star Interactive	2020SR0361540	PRC	April 22, 2020
19	Demon Hunter: Gold Earning Edition Game Software V1.0 (黎明召喚:賺金版遊戲軟件 V1.0)	Chengdu Uni-Star Interactive	2022SR0277697	PRC	February 25, 2022

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

No.	Copyright	Registered Owner	Registration Number	Registration Place	Registration Date
20	Demon Hunter Game Software V1.0 (黎明召喚遊戲軟件 V1.0)	Chengdu Herunxuan Network Technology Co., Ltd.	2020SR0069999	PRC	January 14, 2020
21	Dawn Survival Game Software V1.0 (黎明生存遊戲軟件 V1.0)	Chengdu Herunxuan Network Technology Co., Ltd.	2020SR0295189	PRC	March 30, 2020
22	Mortal Flying Sword Game Software V1.0 (凡人飛劍遊戲軟件V1.0)	Chengdu Jinhongtu Network Technology Co., Ltd. (成都錦宏圖網絡科技有限公司)	2020SR0410230	PRC	May 6, 2020
23	Sword Path of the Mountain and Sea Game Software V1.0 (山海劍途遊戲軟件 V1.0)	Chengdu Jinhongtu Network Technology Co., Ltd.	2022SR1322338	PRC	August 29, 2022
24	Mysterious World: Awakening Game Software V1.0 (異界深淵:覺醒遊戲軟件V1.0)	Shanghai Qunong Network Technology Co., Ltd.	2019SR1368717	PRC	December 13, 2019
25	Mysterious World Game Software V1.0 (異界深淵遊戲軟件V1.0)	Shanghai Qunong Network Technology Co., Ltd.	2020SR0057180	PRC	January 13, 2020
26	Primordial Westward Journey Record Game Software V1.0 (洪荒西行錄遊戲軟件V1.0)	Shanghai Qunong Network Technology Co., Ltd.	2020SR0396482	PRC	April 29, 2020
27	Qunong Demon Hunter Game Software V1.0 (趣農黎明召喚遊戲軟件V1.0)	Shanghai Qunong Network Technology Co., Ltd.	2020SR1734151	PRC	December 4, 2020
28	Qunong Sword Fantasy Game Software V1.0 (趣農天劍奇緣遊戲軟件V1.0)	Shanghai Qunong Network Technology Co., Ltd.	2020SR1823126	PRC	December 15, 2020
29	Qunong Mysterious World: Awakening Game Software V1.0 (趣農異界深淵:覺醒遊戲軟件V1.0)	Shanghai Qunong Network Technology Co., Ltd.	2021SR0195024	PRC	February 4, 2021
30	Sword Fantasy Red Packet Edition Game Software V1.0 (天劍奇緣紅包版遊戲軟件 V1.0)	Shanghai Qunong Network Technology Co., Ltd.	2022SR0262408	PRC	February 22, 2022



**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

No.	Copyright	Registered Owner	Registration Number	Registration Place	Registration Date
31	Mysterious World: High Explosion Edition Game Software V1.0 (異界深淵:高爆版遊戲軟件V1.0)	Shanghai Qunong Network Technology Co., Ltd.	2023SR0811689	PRC	July 6, 2023
32	Mysterious World: Spirit King Game Software V1.0 (異界深淵:大靈王遊戲軟件V1.0)	Shanghai Yuanxi Network Technology Co., Ltd. (上海圓戲網絡科技有限公司)	2022SR0518402	PRC	April 25, 2022
33	Xuangan Demon Hunter Game Software V1.0 (炫感黎明召喚遊戲軟件V1.0)	Shanghai Xuangan	2023SR1024698	PRC	September 6, 2023
34	Xuangan Mortal Flying Sword Game Software V1.0 (炫感凡人飛劍遊戲軟件V1.0)	Shanghai Xuangan	2023SR1029610	PRC	September 7, 2023
35	Xuangan Sword Fantasy Game Software V1.0 (炫感天劍奇緣遊戲軟件V1.0)	Shanghai Xuangan	2023SR1029603	PRC	September 7, 2023
36	Xuangan Mysterious World: Awaking Game Software V1.0 (炫感異界深淵:覺醒遊戲軟件V1.0)	Shanghai Xuangan	2023SR1032262	PRC	September 8, 2023
37	Xuangan Sword Path of the Mountain and Sea Game Software V1.0 (炫感山海劍途遊戲軟件V1.0).	Shanghai Xuangan	2023SR1031737	PRC	September 8, 2023

**(d) Patent**

As of the Latest Practicable Date, we have registered the following patent, which we consider to be material to our Group’s business:

No.	Patent	Registered Owner	Patent Number	Registration Place	Application Date	Expiry Date
1	User Interface of AI Graphics Drawing of Computer (電腦的AI繪畫圖形用戶界面)	Chengdu Herunxuan Network Technology Co., Ltd.	CN202330683970.6	PRC	October 22, 2023	October 21, 2043

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS**

**1. Disclosure of Interests**

*(a) Interests and short positions of our Directors and chief executive in the share capital of our Company and its associated corporations following completion of the [REDACTED]*

Immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), so far as our Directors are aware, the interests and/or short positions (as applicable) of our Directors and chief executive in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, will be as follows:

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company immediately following completion of the [REDACTED]<sup>(1)</sup></u>
Ms. Guo <sup>(2)</sup>	Interests in controlled corporation	[REDACTED]	[REDACTED]%

*Notes:*

- (1) The calculation is based on the total number of [REDACTED] Shares in issue immediately following completion of the [REDACTED].
- (2) Orchid Lan FHL is owned as to 1% by Orchid Lan HL (which is wholly owned by Ms. Guo) and 99% by ThinkBoom Group Limited (which is in turn wholly owned by Orchid Lan Family Trust). Ms. Guo and Orchid Lan HL are the beneficiaries of Orchid Lan Family Trust, with TMF (Cayman) Ltd. serving as the trustee for the trust. Pursuant to the deed of settlement constituting the trust, Ms. Guo is entitled to exercise, at her sole and absolute discretion as the sole member of the investment committee of the trust, voting rights attached to the Shares held by Orchid Lan FHL. As such, under the SFO, Ms. Guo is deemed to be interested in the Shares held by Orchid Lan FHL.

*(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

For information on the persons who will, immediately following completion of the [REDACTED], have interests or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, further details of which are set out in the section headed “Substantial Shareholders” in this document.

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Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following completion of the [REDACTED], be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had options in respect of such share capital.

### 2. Particulars of Directors’ Service Contracts and Appointment Letters

#### (a) *Executive Directors*

Each of our executive Directors [has entered] into a service contract with us under which the initial term of their service contracts shall be three years commencing from the date of their appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month’s prior notice.

#### (b) *Independent non-executive Directors*

Each of our independent non-executive Directors [has entered] into an appointment letter with us for an initial term of three years from the [REDACTED] until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month’s prior notice in writing.

### 3. Remuneration of Directors

Save as disclosed in the section headed “Directors and Senior Management” in this document and Note 8 to the Accountants’ Report, for the two financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, none of our Directors received other remuneration of benefits in kind from us.

### 4. Disclaimers

Save as disclosed in this document:

- (i) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (ii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (iii) taking no account of any Shares which may be taken up under the [REDACTED], so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the [REDACTED], have interests or short positions in the

## APPENDIX IV

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Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

- (iv) none of the Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

### D. OTHER INFORMATION

#### 1. Litigation

As of the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group, which would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

#### 2. Preliminary Expenses

As of the Latest Practicable Date, we have not incurred any material preliminary expense.

#### 3. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries and Consolidated Affiliated Entities.

#### 4. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

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### 5. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the [REDACTED], and permission to [REDACTED], the Shares in issue (including the Shares to be converted from the Preferred Shares upon completion of the [REDACTED]) and to be issued pursuant to the [REDACTED] (including any Shares which may be issued pursuant to the exercise of the [REDACTED]).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of US\$800,000 for acting as a sponsor to our Company in connection with the [REDACTED].

### 6. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) which have given opinions and/or advice in this document are as follows:

<u>Name</u>	<u>Qualification</u>
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Ernst & Young	Certified public accountants and registered public interest entity auditor
Qiyuan Law Firm	Legal adviser to our Company as to PRC law
CM Law Firm	Legal adviser to our Company as to PRC law
CM Law Firm	Legal adviser to our Company as to PRC cybersecurity and data privacy protection laws
Maples and Calder (Hong Kong) LLP	Legal adviser to our Company as to Cayman Islands law
Analysys Limited	Industry consultant

### 7. Consents

Each of the experts as set out in the paragraph headed “ — D. Other Information — 6. Qualifications of Experts” in this section has given and has not withdrawn its written consents to the issue of this document with the inclusion of certificates, letters, opinions or reports and the references to its name included herein in the form and context in which they are included.

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## STATUTORY AND GENERAL INFORMATION

### 8. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position of our Group since March 31, 2024 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this document.

### 9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### 10. Miscellaneous

Save as disclosed in this document:

- (i) none of our Directors or experts as set out in the paragraph headed “ — D. Other Information — 6. Qualifications of Experts” in this section, has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (ii) none of the experts as set out in the paragraph headed “ — D. Other Information — 6. Qualifications of Experts” in this section had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (iii) within the two years immediately preceding the date of this document, no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued as fully or partly paid either for cash or for a consideration other than cash;
- (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (v) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted within the two years immediately preceding the date of this document in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

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**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

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- (vi) within the two years preceding the date of this document, no commission has been paid or is payable (except commissions to [REDACTED]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares;
- (vii) there is no founder, management or deferred shares in our Company or any of our subsidiaries;
- (viii) our Company has no outstanding convertible debt securities or debentures;
- (ix) there is no arrangement under which future dividends are waived or agreed to be waived;
- (x) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is being or proposed to be sought; and
- (xi) there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

**11. Bilingual Document**

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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## APPENDIX V                      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND DOCUMENTS ON DISPLAY

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of the material contract as set out in the paragraph headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract” in this document; and
- (ii) the written consents as set out in the paragraph headed “Statutory and General Information — D. Other information — 7. Consents” in this document.

### DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s own website at [www.xbhy.cn](http://www.xbhy.cn) for a period of 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the material contract as set out in the paragraph headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract” in this document;
- (c) the service contracts and the letters of appointment with our Directors as set out in the paragraph headed “Statutory and General Information — C. Further Information about Our Directors — 2. Particulars of Directors’ Service Contracts and Appointment Letters” in this document;
- (d) the Accountants’ Report and the report on the unaudited [REDACTED] financial information of our Group prepared by Ernst & Young, the text of which is set out in this document;
- (e) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2024;
- (f) the industry report issued by Analysys Limited;
- (g) the PRC legal opinions issued by Qiyuan Law Firm and CM Law Firm (in Chinese name alphabetical order), our PRC Legal Advisers, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (h) the legal opinion issued by CM Law firm, our legal adviser as to PRC cybersecurity and data privacy protection laws;



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**APPENDIX V                      DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES AND DOCUMENTS ON DISPLAY**

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- (i) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal adviser as to Cayman Islands law, summarizing certain aspects of the Cayman Companies Act as set out in Appendix III to this document;
- (j) the Cayman Companies Act; and
- (k) the written consents as set out in the paragraph headed “Statutory and General Information — D. Other Information — 7. Consents” in this document.