



家鄉互動科技有限公司

Homeland Interactive Technology Ltd.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 3798

**GLOBAL
OFFERING**

Sole Sponsor



Sole Global Coordinator



Joint Bookrunners



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Homeland Interactive Technology Ltd.

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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 314,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	: 31,400,000 Shares (subject to adjustment)
Number of International Offer Shares	: 282,600,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$1.85 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.000005 per Share
Stock code	: 3798

Sole Sponsor



Sole Global Coordinator



Joint Bookrunners



Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection — 1. Documents Delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator and our Company on or about Friday, June 21, 2019 and, in any event, not later than Tuesday, June 25, 2019. The Offer Price will be not more than HK\$1.85 per Offer Share and is currently expected to be not less than HK\$1.35 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, June 25, 2019 (Hong Kong time) among the Sole Global Coordinator and our Company, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the website of our Company at www.jiaxianghudong.com and on the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Public Offer Shares, are subject to termination by the Sole Global Coordinator if certain events shall occur prior to 8:00 a.m. on Thursday, July 4, 2019 (Hong Kong time). Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

June 18, 2019

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, June 21, 2019
Application lists open ⁽³⁾	11:45 a.m. on Friday, June 21, 2019
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, June 21, 2019
Latest time for completing payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, June 21, 2019
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, June 21, 2019
Application lists close ⁽³⁾	12:00 noon on Friday, June 21, 2019
Expected Price Determination Date ⁽⁵⁾	Friday, June 21, 2019
Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offering to be published on the website of our Company at www.jiaxianghudong.com and on the website of the Stock Exchange at www.hkexnews.hk on or before	Wednesday, July 3, 2019
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Public Offer Shares — 11. Publication of Results" in this prospectus	Wednesday, July 3, 2019

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function from Wednesday, July 3, 2019

Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾ Wednesday, July 3, 2019

Dispatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Wednesday, July 3, 2019

Dealings in the Shares on the Stock Exchange expected to commence on Thursday, July 4, 2019

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 21, 2019, the application lists will not open or close on that day. See “How to Apply for the Hong Kong Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Hong Kong Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Friday, June 21, 2019 and, in any event, not later than Tuesday, June 25, 2019. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator and us by Tuesday, June 25, 2019, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE⁽¹⁾

- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, July 3, 2019 or such other date as notified by our Company on the website of our Company at www.jiaxianghudong.com and on the website of the Stock Exchange at www.hkexnews.com as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares may collect their refund cheques, if any, in person but may not collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Hong Kong Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via Electronic Application Instructions to HKSCC” in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank accounts in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Public Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

EXPECTED TIMETABLE⁽¹⁾

Further information is set out in the sections headed “How to Apply for the Hong Kong Public Offer Shares — 13. Refund of Application Monies” and “How to Apply for the Hong Kong Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for the Hong Kong Public Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Public Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Homeland Interactive Technology Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading localized mobile card and board game developer and operator in China with a special focus on localized Mahjong and poker games. Most of our games are the recreation of classic games with a long history in the real world, which provides us with a broad and active potential player base. We have developed different Mahjong and poker game variations featured with local regional game rules, scoring rules and slang terms, appealing to various traditions and preferences of players from different locations. According to the F&S Report, we ranked first among all online localized card and board game companies by number of localized variations in China in 2018. In addition, according to the F&S Report, we ranked No. 3 among online localized card and board game companies in China as measured by geographic coverage of localized variations and revenue, respectively, in 2018, and had a 5.1% market share in terms of revenue from all online localized card and board games companies in the same year.

We adopt a unified platform strategy to aggregate our game products, which consist of our Mahjong game variations, poker game variations and other games under integrated game platforms. As a result, we have attracted a large player base with cumulative registered players of approximately 97.1 million as of December 31, 2018 and paying players, DAUs and ARPPU of approximately 3.2 million, 5.2 million and RMB11.4, respectively, for the year ended December 31, 2018. Most of our game products are currently offered on two integrated game platforms while a small number of our game products are available either singly or in small game bundles to players who use our private game room function. We are in the process of further streamlining our product offerings onto one consolidated platform. We have also established an integrated backend server which allows our players to use the same player account in one game app to conveniently access and play all of our other game products on the same integrated game platform without downloading additional apps. Virtual tokens and other virtual products in a player account can be consumed in all of our other game products on the same integrated game platform. As part of our platform strategy, we leased high-performance cloud servers to collectively host, manage and process all of our non-core operating data, which act as gateways and prevent direct on-premises data access to our locally saved core data.

We have developed strong and effective offline marketing capabilities to promote our games, a significant portion of which are county-level localized games. We primarily rely on our self-generated user traffic and distribute our mobile game products through our own websites or through our official social media accounts. Over 80% of our sales were derived through our proprietary channels during the Track Record Period and our focus on offline promotion brings us remarkable self-generated user traffic and improves our profit margins. Our gross profit margins and net profit margins were over 75.0% and 45.0%, respectively, during the Track Record Period. We also engage third-party game distribution channels, including cellphone manufacturers and major online application stores for the distribution and promotion of our games.

Our business grew rapidly during the Track Record Period. Our revenue increased from RMB51.9 million in 2016 to RMB439.5 million in 2018, representing a CAGR of 190.9%. Our profit and other comprehensive income attributable to owners of the Company for the year increased from RMB23.3 million in 2016 to RMB204.1 million in 2018, representing a CAGR of 196.2%.

In addition to our proprietary game development, we have commenced the distribution of third-party mobile games since August 2018 and as of the Latest Practicable Date, we distributed seven mobile games on our platforms. We act as the distribution channel for these game developers and share the proceeds derived from the games on our platforms with the game developers in a fixed proportion. As we do not develop the third-party mobile games, we incur minimal capital outlay in pursuing this game distribution business. In the year ended December 31, 2018, revenue derived from the game distribution business amounted to RMB27.1 million, accounting for approximately 6.2% of our revenue for such period. Going forward, by leveraging our large player base, we intend to continue this game distribution business by carefully selecting games with strong popularity and traffic driving potential. We believe it will contribute stable revenue and attract additional game players to our platforms.

The mobile game industry in China has huge growth potentials. According to the F&S Report, the mobile game industry in China has experienced a significant growth with a CAGR of 52.3% from 2014

SUMMARY

to 2018 and the total market size amounted to approximately RMB162.5 billion in 2018. It is expected to further grow at a CAGR of 31.2% from 2019 to 2023, reaching approximately RMB577.9 billion by 2023. We believe that by leveraging our existing market position, advanced game development technologies as well as localization expertise, we are able to continue to capitalize on this market trend and propel our future growth.

Our Self-developed Game Portfolio

Apart from a few third-party mobile games that we commenced distributing in August 2018, all of our mobile games are self-developed. Our game portfolio consists of three categories of games, namely Mahjong, poker and casual games. Most of our games, including the most popular game categories of Mahjong and Fight the Landlord, are the recreation of classic games with a long history in the real world. We have developed different Mahjong game variations featured with local regional game rules, scoring rules and slang terms, appealing to various traditions and preferences of players from different locations. We currently offer Mahjong game variations that are localized to cover at least some counties in 24 provinces and municipalities in China.

Since the commencement of development of our mobile games in 2013, we have continued to expand our product offering through development of new mobile games and game variations. As of the Latest Practicable Date, we have developed and operated 508 game products, which include 469 localized variations of Mahjong, 34 poker game variations and 5 casual games including Fishing Strike (捕魚), Blaster (消消樂) and DaBoLuo (大波蘿).

According to the F&S Report, game product life cycle refers to the life span of a game, which accounts for the time between the game first being launched to the market and the time when the game ceases to operate, and the average life cycle of Mahjong, poker and casual game products are 587 days, 498 days and 302 days as at 31 December 2018, respectively. Based on the average of the number of days between the launch date of each of our game products and December 31, 2018, our Mahjong, poker and casual game products have an average life of 450 days, 544 days and 303 days, respectively. Our game products are maintained on our integrated game platforms and therefore they are able to attain longer life cycles when compared to game operators which offer their games singly because players accessing our integrated game platforms are able to play multiple games. However, since we have continued to expand our product offering through the rapid development of Mahjong game variations during the Track Record Period, our Mahjong game products have a shorter average life cycle compared to the industry average. As the increase in number of our poker game products during the Track Record Period is not as significant, the impact of relatively shorter life cycles of the new game products is not material for our poker game products. As such, our Mahjong game products have shorter average life cycle and our poker game products have longer average life cycle compared to industry averages and the average of the life cycle of our casual games is similar to the industry average.

We currently offer 72 mobile apps each containing different bundles of our game products that operate on Android or iOS mobile operating systems. Out of our 508 mobile game products, around 2.0%, 3.0%, 9.4%, 33.5%, 48.4% and 3.7% were launched in 2014, 2015, 2016, 2017, 2018 and 2019 respectively. We have also recently commenced the distribution of popular third-party game products.

We use the consumption by players in each of our game products to illustrate the relative significance of our major game products to us. During the Track Record Period, aggregate consumption of virtual tokens in our Mahjong game products accounted for approximately 40.9%, 43.5% and 56.9% of total virtual tokens consumed in 2016, 2017 and 2018, respectively. Aggregate consumption of virtual tokens in our poker game products accounted for approximately 59.1%, 54.3% and 30.0% of total virtual tokens consumed in 2016, 2017 and 2018, respectively. The remaining consumptions were in our casual and other games. Since the launch of our private game room cards in 2017, aggregate consumption of private game room cards in our Mahjong game products accounted for approximately 98.6% and 94.6% of total private game room cards consumed in 2017 and 2018, respectively. Over the same periods, aggregate consumption of private game room cards in our poker game products accounted for approximately 1.4% and 5.4% of total private game room cards consumed in 2017 and 2018, respectively.

Game Monetization

All of our self-developed mobile game apps are free to download. Virtual tokens and other virtual products under one single player account can also be consumed in all the game products on the same platform. During the Track Record Period, we generated substantially all of our revenue from the sales of virtual tokens and private game room cards consumed in our self-developed mobile game products.

Virtual tokens are required to play our game products other than game products offered in our private game rooms. Virtual tokens can be used to exchange in-game virtual items to enhance game experience but cannot be exchanged for cash or cash equivalents offline or outside our game apps. In addition to offering

SUMMARY

a small number of free virtual tokens to each player, we from time to time release in-game missions or events to grant players opportunities to win comeback bonuses after achieving a consecutive log-in for a certain period of time or certain number of cumulative in-game time/game sessions, as well as bonus virtual tokens, honorary titles and virtual vouchers upon the completion of such missions. After accumulating a certain number of such virtual vouchers, players may be awarded gift certificates, which can be redeemed for small real world gifts, such as mobile phone recharge cards and small electronic devices. Our PRC Legal Advisor is of the view that such awarding of gift certificates or redemption does not violate the Anti-gambling Notice and the Virtual Currency Notice as (i) the awards are not given as a result of players paying any cash or spending virtual tokens; and (ii) the gift certificates may only be obtained after accumulating a certain number of virtual vouchers upon completion of certain in-game missions by the players, such as consecutive log-ins for a certain period of time. Such gift certificates are not, and cannot be exchanged from, game points recorded in private game rooms or virtual tokens. Furthermore, we have obtained verbal confirmations from relevant authorities that our business activities (including our Mahjong and poker game variations and our private game room function) do not constitute gambling or acts of providing convenience for gambling. See “Business — Game Monetization — Virtual Tokens” and “Business — Game Development and Operation — Regulation of Game Environment” for further details.

Recognizing the increasing needs for socialising functions in mobile games, in 2017, we introduced the private game room function to some of our Mahjong and poker game products, an enhanced mode which allows a player to initiate and pay for a game session in a virtual “game room” and then invite other known players to join the session by entering a passcode sent to him or her by the initiating player. We charge the initiating player a fixed rate for each game session. Virtual tokens are not needed to play our game products in a private game room session.

We book the purchases of virtual tokens and private game room cards as deferred revenue and purchases are only recognized as revenue when virtual tokens and private game room cards are consumed. For third-party mobile games, we are only responsible for marketing such games on our platforms, providing payment gateway for players to purchase the virtual tokens of respective games via the purchase of and conversion from our virtual products for third-party mobile games, namely diamonds, and provision of limited after-sale basic technical support to the paying players. We consider ourselves as an agent in these arrangements and recognize revenue, net of the portion of proceeds to be shared with the third-party mobile game developers, at a point in time upon the conversion of the virtual diamonds on our platform to those virtual tokens or goods in the respective third-party mobile games. See “Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition” for information on how consumption is determined.

The following table sets forth the breakdown of our revenue by our virtual products in absolute amounts and as percentage of our total revenue for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)					
Self-developed mobile games:						
Virtual tokens	51,946	100.0	149,825	57.2	199,302	45.3
Private game room cards	—	—	111,926	42.8	213,149	48.5
Third-party mobile games	—	—	—	—	27,079	6.2
Total	51,946	100.0	261,751	100.0	439,530	100.0

Our revenue generated from private game room cards in 2018 increased significantly by 90.4% since its launch in 2017. In addition to our effort in preparation of the private game room function before launching, we believe that our success in launching private game room cards was also attributable to our offline game promotion capability as complemented by our in-app advertisements and social media promotions, as well as the strategic timing for introduction of the game products with private game room function in March when the weather in Jilin was cold as we believed that our target audience would likely engage in indoor activities in such weather condition. We also benefitted from the increase in sales of private game room cards through referrals by users sharing the game products with private game room function in social media, such as WeChat.

SUMMARY

Our Distribution Channels

Our Proprietary Channel

We distribute our game products on both Android and iOS mobile operating systems. We primarily rely on our self-generated user traffic and distribute our mobile game products through our own websites or through our official social media accounts. A player can download and install our game products on our website by entering a mobile phone number and by scanning a QR code with his/her mobile phone.

Third-party Distribution Channels

In addition, we also utilize various third-party game distribution channels, including cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc's App Store for the distribution and promotion of our game products. We pay commission fees to our game distribution channels which are calculated by applying a percentage of 50% or 60% to our sales proceeds net of payment service fee. The payment service fee ranges from 2.5% to 5% of the sales proceeds although for one particular distribution channel, the payment service fee is levied at 25%. Therefore, the proceeds we receive for sales through third-party distribution channels are 40% to 50% of the sales proceeds paid by players less payment service fees at the aforementioned rates. Due to the nature and strong market position of these game distribution channels, the arrangements with such game distribution channels are generally standard and we have little bargaining power. We typically settle the proceeds from the sales of our virtual tokens with third-party game distribution platforms on a monthly basis upon mutual confirmation of the total proceeds collected and after deducting commission fees and payment service fees.

Our Payment Vendors

We offer players accessing our game products via our proprietary channel a variety of payment options, including WeChat Pay, Alipay, Union Mobile Pay and YeePay, to provide flexibility and convenience. We have entered into contracts with our third-party payment vendors on their standard terms and conditions. These third-party payment vendors charge us payment handling fees at flat rates (which are generally not subject to negotiation) ranging from 1% to 4% of the total amounts paid by our players through these payment vendors.

Our Players

Leveraging our rich localized game portfolio, together with our strong marketing capacities, advanced technology infrastructure and well-established brand name, we endeavor to continue to grow our player base, increase their stickiness and stimulate their in-game purchases.

Our launch of private game rooms for selected game products in 2017 has proven to be exceedingly popular and has generated increases in both the number of paying players and the amount of payments by paying players. The number of our registered players and paying players continuously grew in 2016 and 2017 as we significantly enhanced our marketing efforts during such period to accelerate our business expansion. The rapid player acquisition, however, attracted a large number of new players who were enticed by various in-game promotions and reluctant to make additional purchases, thus, normalized our ARPPU in 2016 and 2017. Our ARPPU increased considerably during the year ended December 31, 2018, reflecting the increasing stickiness of our paying player portfolio. Similarly, due to the increasing number of our mobile game products and their popularity, our DAUs continued to grow during the Track Record Period. See "Business — Game Monetization — Monetization Measures" for further analysis.

We had an aggregate of 3,226,238 paying players in the year ended December 31, 2018. As the same virtual tokens or private game room cards can be used to play our different game products and it is in our interest that our players play our different game products, it is not practicable and we do not collect and analyze data relating to individual game products played by individual game players. However, based on the first registration dates of these paying players and the dates on which each of them last consumed virtual tokens or private game room cards, the average relationship period of paying players who consumed our virtual tokens is 270 days and that for private game room cards is 243 days.

SUMMARY

The following table sets forth the numbers of our cumulative registered players, paying players, DAUs and our ARPPU for and as of the periods indicated.

	As of December 31,		
	2016	2017	2018
Cumulative registered players	16,281,439	53,607,886	97,096,281
DAUs	1,709,305	4,607,861	5,204,977
	For the year ended December 31,		
	2016	2017	2018
Paying players	878,834	3,128,514	3,226,238
ARPPU (in RMB)	4.93	6.97	11.36

The following table sets forth the breakdown of our cumulative registered players, paying players, MAUs, MPUs, DAUs, ARPPU and average paying player conversion rate by virtual tokens and private game room cards for the periods indicated.

	For the year ended December 31,		
	2016	2017	2018
Virtual tokens			
Cumulative registered players (as of year end)	16,281,439	49,250,387	90,644,106
Paying players	878,834	3,062,165	3,129,826
MAU	1,472,397	5,905,499	10,373,599
MPU	137,976	401,829	473,934
DAU (as of year end)	1,709,305	3,978,560	4,502,857
ARPPU (in RMB)	4.93	4.08	6.03
Average paying player conversion rate	9.37%	6.80%	4.57%
Private game room cards			
Cumulative registered players (as of year end)	0 ^(Note)	4,357,499	6,452,175
Paying players	0 ^(Note)	66,349	96,412
MAU	0 ^(Note)	1,030,839	1,419,131
MPU	0 ^(Note)	12,607	17,702
DAU (as of year end)	0 ^(Note)	629,301	702,120
ARPPU (in RMB)	0 ^(Note)	173.74	184.23
Average paying player conversion rate	0 ^(Note)	1.22%	1.25%

The following table sets forth the number of paying players by range of spending on our virtual tokens and private game room cards for the periods indicated.

	For the year ended December 31,		
	2016	2017	2018
Virtual tokens			
<i>RMB</i>			
0 – 100	753,588	2,741,321	2,789,593
101 – 1,000	124,811	298,562	304,732
1,001 – 10,000	435	21,364	32,305
> 10,000	—	918	3,196
Private game room cards			
<i>RMB</i>			
0 – 100	0 ^(Note)	12	7,996
101 – 1,000	0 ^(Note)	27,528	37,622
1,001 – 10,000	0 ^(Note)	37,270	46,993
> 10,000	0 ^(Note)	1,539	3,801

Note: Private game room function was introduced in March 2017

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Our Suppliers

Our major suppliers include our third-party game distribution channels, payment vendors, cloud service providers, internet data center providers and online and offline advertising partners.

For the years ended December 31, 2016, 2017 and 2018, purchase amounts for our top five suppliers were RMB3.5 million, RMB18.8 million and RMB32.2 million, respectively, representing 37.6%, 36.5% and 31.2% of our cost of sales in the same periods, respectively. Purchase amounts for our single largest supplier were RMB1.3 million, RMB7.2 million and RMB9.3 million, respectively, representing 14.2%, 13.9% and 9.0% of our cost of sales for the years ended December 31, 2016, 2017 and 2018, respectively.

None of our Directors or their respective associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the Company's top five suppliers.

RECENT CHANGES IN REGULATORY ENVIRONMENT

In early 2018, the SAPPRFT, being the government authority responsible for granting pre-approval of publication of domestic online games, was replaced by SART according to the institutional restructuring plan of the State Council. Since April 2018, the granting of pre-approval and filing of domestic online games by the relevant government authorities has been suspended. As of the Latest Practicable Date, no government authorities/sources, including the SAPPRFT and the MOC, has issued or promulgated any official policy, regulation or statement in respect of (a) any suspension of pre-approval from the SAPPRFT or suspension of post-filing with the MOC for the publishing and commercial launch of mobile games, or (b) any proposed, revised or new administrative/regulatory approval procedure involving pre-approval or post-filing requirements for the publishing and commercial launch of mobile games. Based on the information released on the website of the SAPPRFT, 164 domestic online games have obtained pre-approval in December 2018 and 283, 279, 233 and 40 domestic online games have obtained pre-approval in January, February, March and April 2019, respectively, which indicates that the suspension of the pre-approval of domestic online games has been lifted. As at the Latest Practicable Date, we have submitted eight applications to SAPPRFT but we have not obtained any pre-approvals for any of our new game products after the aforesaid suspension of approval procedures. We obtained the most recent pre-approval from the SAPPRFT at the national level for the publication of our new game in January 2018 and the most recent new game launched by us was in March 2018, prior to the suspension. Our Directors consider that the aforesaid suspension of approval of publication or post-filing of new online games will not affect our Group's business and future prospects due to the following reasons:

- (i) as advised by our PRC Legal Advisor, according to the Circular, if the launching of new game variations or versions of our existing games involves upgrading works and introduction of new information (i.e. substantial change of plots, tasks, maps, personalities of characters, characteristics of roles, and player interaction functions; together with a change in the name of the game by supplementing the existing name such as “[Existing name of game + subtitle]”, “New [existing name of game]” or “[Existing name of game] 2” for promotional purpose), such upgrading works shall be deemed as new work products and relevant approval from the SAPPRFT should be obtained. As many of the game variations to be launched by our Group only involve minor changes to the rules of the existing games and do not involve introduction of new information as described under the Circular, we are not required to obtain further approval prior to launching such game variations;
- (ii) as of the Latest Practicable Date, we have obtained pre-approved for and utilised 83 game registrations from SAPPRFT, which covers all of our 508 mobile game products. As advised by our PRC Legal Advisor, based on its review of the information on the 495 mobile game products and taking into account that the game products other than those that are already covered by the 83 pre-approved game registrations are in the same categories as, and developed based on, those covered by the 83 pre-approved game registrations and they do not involve changes or upgrading works stipulated in the Circular which would be categorized as new work products, our Group was not required to obtain further approval prior to launching these game products. In addition, currently, we have obtained pre-approval for a total of 42 Mahjong, 13 poker and 2 casual game registrations from the SAPPRFT, for which the relevant game products have yet to be launched. Multiple localized variations of Mahjong and poker game variations, as well as casual game products can be included in these pre-approved game registrations. We estimate that these pre-approved registrations can cover our game products to be launched according to market conditions in the next two years;
- (iii) on October 11, 2018, the General Office of the State Council promulgated the Implementation Scheme of Improvement and Promotion of Consumption Mechanism (2018-2020) (《完善促進消費體制機制實施方案(2018-2020年)》) (the “Scheme”), which expressly calls for developing digital cultural content such as digital video and audio, animation and games and online literature, promoting transformation and upgrading of online games, as well as

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- standardising and regulating development, publishing and operation of online games. Although the pre-approval procedure for domestic online games is not explicitly mentioned in the Scheme, our PRC Legal Advisor is of the view that the promulgation of the Scheme indicates the relevant rules are expected to be promulgated;
- (iv) based on the information released on the website of the SAPPRFT, 164 domestic online games have obtained pre-approval in December 2018 and another 283, 279, 233 and 40 domestic online games have obtained pre-approval in January, February, March and April 2019, respectively, which indicates that the suspension of the pre-approval of domestic online games has been lifted; and
 - (v) as advised by our PRC Legal Advisor, the Online Game Measures does not impose any post-filing requirements for variations of domestic online games which do not constitute new work products under the Circular and in any event the post-filing process of pre-approved games with the MOC is merely an administrative procedure.

OUR STRENGTHS AND STRATEGIES

We believe that the following competitive strengths have contributed to our success and fast growth, and will continue to help us further our leading position in mobile card and board game market.

- A leading localized mobile card and board game developer and operator in China;
- Unified platform strategy and integrated backend system enhancing player experience and monetization;
- Strong offline game promotion capability;
- Broad portfolio of classic games with long lifespan and new features; and
- Experienced and dedicated management team.

Our goal is to maintain our leadership in the localized mobile card and board games market and further enhance our market penetration. We intend to achieve this goal by pursuing the following strategies.

- Further develop and optimize our game portfolio to boost player stickiness;
- Continue to strengthen research and development and technology infrastructure;
- Enhance marketing capacities and improve brand image; and
- Strategically pursue partnership and acquisition opportunities and broaden domestic and overseas market reach.

See “Business — Our Strengths” and “Business — Our Strategies” for more details.

HISTORY AND SHAREHOLDING STRUCTURE

Our Group was founded by Mr. Wu, Mr. Jiang and Mr. Su in 2009 through the establishment of Jilin Xinze, which was then engaged in the development and operation of PC games. In 2013, we started to develop and operate mobile Mahjong games and subsequently, we expanded into southern China through the establishment of Jiayang Interactive in 2015 and we started to offer the private virtual game room function through the establishment of Jilin Yuke in 2017. In preparation for our Listing, our Group underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group. Since the establishment of our Group in November 2009, the Founders have cooperated as parties acting in concert to exercise control over our Group and to develop the business of our Group. They have made key decisions regarding our strategies and plans, including the establishment of Jiayang Interactive and Jilin Yuke, collectively.

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme), Mr. Wu, Mr. Jiang and Mr. Su will indirectly own approximately 34.54%, 11.51% and 11.51% of interest in our enlarged issued share capital as a group of controlling shareholders.

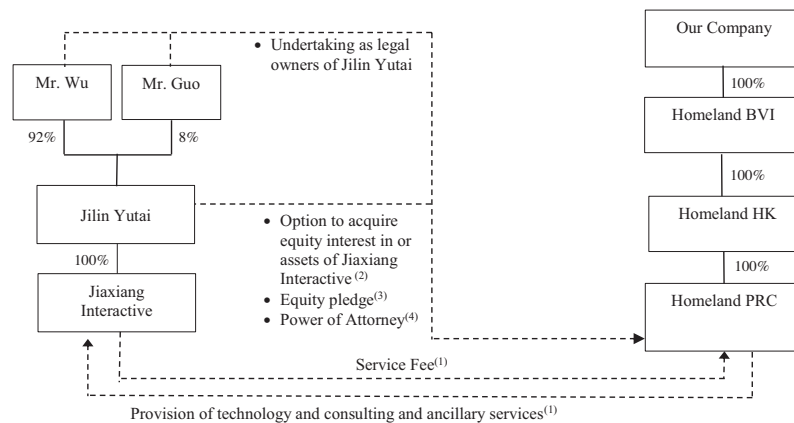
CONTRACTUAL ARRANGEMENTS

We are primarily engaged in the development and operation of online card and board games business, with proprietary integrated mobile game development platforms supporting 72 mobile apps. Hence we are considered to be engaged in the provision of value-added telecommunications services (which includes information services provided via mobile network) and Internet cultural business (which includes the production or operation of mobile games operated through wireless telecommunication networks), sectors where foreign investment is subject to prohibitions and significant restrictions under the PRC laws and regulations. In order to achieve our business purposes and in line with common practice in Internet industries in China, we conduct our operations in China through the Contractual Arrangements. Our

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wholly-owned subsidiary, Homeland PRC, entered into a series of Contractual Arrangements with each of Jiayang Interactive and Jilin Yutai, being the registered shareholder of Jiayang Interactive, and to assert management control over the operations of our principal businesses conducted through Jiayang Interactive and its subsidiaries, and to enjoy all economic benefits of Jiayang Interactive and its subsidiaries. Each of Jiayang Interactive and its subsidiaries, namely Jilin Xinze and Jilin Yuke, holds the relevant licenses, including the value-added telecommunications license (增值電信業務經營許可證) and the Internet cultural business license (網絡文化經營許可證), required for carrying out the above services and operating the aforementioned businesses. For details of our Contractual Arrangements and relevant PRC laws and regulations, see the sections headed “Contractual Arrangements” and “Regulatory Overview” in this prospectus.

The following simplified diagram illustrates the flow of economic benefits from Jiayang Interactive to our Group stipulated under the Contractual Arrangements:



Notes:

1. Please refer to the section headed “Contractual Arrangements — Exclusive Business Cooperation Agreement” below.
2. Please refer to the section headed “Contractual Arrangements — Exclusive Call Option Agreement” below.
3. Please refer to the section headed “Contractual Arrangements — Equity Pledge Agreement” below.
4. Please refer to the section headed “Contractual Arrangements — Power of Attorney” below.

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and will come into force from January 1, 2020. It stipulates the regulation of foreign investments by way of affording treatment equivalent to nationals prior to establishment of the foreign investments and by way of having a “negative list”. The negative list, which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. The Foreign Investment Law (2019) does not stipulate that “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on the meaning of “other means”.

As of the Latest Practicable Date, the Foreign Investment Law (2019) has not come into force. Please refer to the sections headed “Risk Factors — Risks Relating to our Contractual Arrangements” and “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment” for further details. Our PRC Legal Advisor is of the view that it is highly likely that Foreign Investment Law (2019) supersedes the Foreign Investment Law (2015 Draft) published by the MOFCOM in 2015. Nevertheless, our Company will, after the Listing, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the Foreign Investment Law (2019) that will materially or adversely affect us and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the Foreign Investment Law (2019) or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisor), as well as its material impact on our business operation and financial position.

RISK FACTORS

There are risks and uncertainties involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to

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our business and our industry, (ii) risks relating to our Contractual Arrangements, (iii) risks relating to doing business in the PRC and (iv) risks relating to the Global Offering. A detailed discussion of all the risk factors involved are set forth in the section headed “Risk Factors” on page 27 in this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

Some of the major risks we face include:

- failure to obtain, renew or retain requisite licenses, permits or approvals or failure to comply with applicable laws and regulations may adversely affect our ability to conduct our business;
- two game categories have generated substantially all of our revenue; any failure to maintain or enhance the performance of games in these game categories could materially and adversely affect our business and results of operations;
- if we fail to strengthen our existing game portfolio, launch high-quality new games or game variations and enhance player experience, our ability to continue to retain existing players and attract new players will be materially and adversely affected;
- we primarily distribute our mobile game products through our proprietary channel; any disruption of our proprietary channel could materially and adversely affect our business, financial condition and results of operation;
- we rely on a small portion of our registered players for a substantial portion of our revenue;
- our rapid growth during the Track Record Period may not be indicative of our future growth, and our short operating history makes it difficult to evaluate our growth prospects and future financial results;
- we are subject to risks and uncertainties associated with the use of third party payment vendors;
- we utilize third-party distribution channels to distribute our games; if we are unable to maintain good relationships with these third-party distribution channels, our business and results of operations will be adversely affected; and
- our games and operations are subject to laws and regulations of the PRC; we cannot guarantee you that such laws and regulations would not be interpreted in ways that could affect our business.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The below summary consolidated financial information should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in “Financial Information” in this prospectus. Our consolidated financial information was prepared in accordance with IFRS.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year Ended December 31,					
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)					
Revenue	51,946	100.0	261,751	100.0	439,530	100.0
Cost of sales	(9,315)	(17.9)	(51,693)	(19.7)	(103,308)	(23.5)
Gross profit	42,631	82.1	210,058	80.3	336,222	76.5
Other income	41	0.1	812	0.3	5,109	1.2
Foreign exchange gains (losses), net	48	0.1	(194)	(0.1)	208	0.0
Selling and marketing expenses	(8,790)	(16.9)	(38,888)	(14.9)	(46,646)	(10.6)
Administrative expenses	(3,827)	(7.4)	(17,111)	(6.5)	(26,052)	(5.9)
Listing expenses	—	—	—	—	(15,702)	(3.6)
Profit before income tax	30,103	58.0	154,677	59.1	253,139	57.6
Income tax expense	(5,866)	(11.3)	(21,933)	(8.4)	(36,606)	(8.3)
Profit and total comprehensive income for the year	<u>24,237</u>	<u>46.7</u>	<u>132,744</u>	<u>50.7</u>	<u>216,533</u>	<u>49.3</u>
Profit and total comprehensive income for the year attributable to:						
Owners of the Company	23,256	44.8	118,569	45.3	204,091	46.4
Non-controlling interests	981	1.9	14,175	5.4	12,442	2.9
	<u>24,237</u>	<u>46.7</u>	<u>132,744</u>	<u>50.7</u>	<u>216,533</u>	<u>49.3</u>

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Our revenue continued to increase during the Track Record Period, primarily due to the increases in our game offerings covering more locations in China and the number of paying players. The increase in revenue was also attributable to the launch of our popular private game room function in 2017. Our profit and total comprehensive income increased during the Track Record Period. Our net profit margin increased to 50.7% in 2017, primarily due to our cost control efforts and the significant increase in our total revenue, while net profit margin slightly decreased to 49.3% in 2018, primarily due to the increased costs and expenses we incurred to support our business growth, as well as the relatively low income tax expenses incurred in 2017.

Selected Consolidated Balance Sheet Items

	As of December 31,			As of
	2016	2017	2018	April 30, 2019
	(In RMB thousands)			(unaudited)
Current Assets				
Trade receivables	2,234	9,674	22,387	18,451
Prepayments and other receivables	7,732	11,764	38,878	43,304
Amounts due from shareholders	22,401	29,420	—	—
Cash and cash equivalents	22,591	150,984	218,195	286,864
Tax recoverables	—	—	—	80
Total current assets	54,958	201,842	279,460	348,699
Current Liabilities				
Trade and other payables	5,531	39,451	35,530	36,577
Amounts due to shareholders	920	7,260	—	—
Amounts due to related parties	4,071	71	—	—
Deferred revenue	5,105	36,298	39,269	48,235
Tax payable	8,877	9,366	9,183	—
Lease liabilities	—	—	—	3,445
Total current liabilities	24,504	92,446	83,982	88,257
Net Current Assets	30,454	109,396	195,478	260,442

Our net current assets continued to increase during the Track Record Period, primarily due to the increases in our current assets which outpaced the increase in current liabilities, mainly resulting from the significant increase in cash and cash equivalents and in trade receivables, each as a result of our remarkable business growth. Due to the nature of our business and our strict trade receivables collection policies, all of our trade receivables as of December 31, 2016, 2017 and 2018 had ages within 60 days, which was further attributable to the increase in our cash and cash equivalents at each period end. Such continuous increases were partially offset by the increase in deferred revenue in connection with the sales proceeds which was in line with the expanding paying player base. Our net current assets continued to increase from December 31, 2018 to April 30, 2019, primarily due to the increase in cash and cash equivalents mainly resulting from our continuously growing business operation.

Please refer to the section headed “Financial Information — Net Current Assets” for further details.

Summary of Consolidated Cash Flow Statements

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

	Year Ended December 31,		
	2016	2017	2018
	(In RMB thousands)		
Net cash generated from operating activities	28,040	180,806	209,570
Net cash used in investing activities	(6,522)	(17,291)	(3,443)
Net cash used in financing activities	—	(35,122)	(138,916)
Net increase in cash and cash equivalents	21,518	128,393	67,211
Cash and cash equivalents at the beginning of the year	1,073	22,591	150,984
Cash and cash equivalents at the end of the year	22,591	150,984	218,195

SUMMARY

Our net cash generated from operating activities increased significantly during the Track Record Period, which was primarily due to the remarkable increase in our profit before income tax as a result of our continuous business growth, and was partially offset by the corresponding increase in income tax paid in the relevant periods. Our net cash used in financing activities increased in 2018 due to the declaration and payment of dividends in the aggregate amount of RMB129.0 million.

Please refer to the section headed “Financial Information — Liquidity and Capital Resources” for further details.

Key Financial Ratios

The following table sets forth certain of the key financial ratios of our Group for the periods or as of the dates indicated:

	For the Year Ended/As of December 31,		
	2016	2017	2018
Current ratio (times) ⁽¹⁾	2.2	2.2	3.3
Return on equity (%) ⁽²⁾	56.6	106.0	101.8
Return on total assets (%) ⁽³⁾	36.0	61.0	73.0

Notes:

- (1) Current assets divided by current liabilities.
- (2) Profit and other comprehensive income for the year divided by total equity of the respective periods and multiplied by 100%.
- (3) Profit and other comprehensive income for the year divided by total assets of the respective periods and multiplied by 100%.

Our current ratio remained stable at 2.2 times as of December 31, 2016 and 2017, which increased to 3.3 times as of December 31, 2018, primarily due to an increase in current assets resulting from an increase in our cash and cash equivalents and an increase in trade receivables, as well as an increase in payments and other receivables. Our return on equity and return on total assets increased significantly from 2016 to 2017, which was mainly due to the rapid growth in our net profit. Return on equity ratio slightly decreased in 2018, primarily due to a significant increase in prepayments for advertisement and promotion fees and a decrease in accrued advertisement expenses.

Our return on total assets increased during the Track Record Period, primarily due to the continuous increase in our net profit. For a more detailed discussion about our key financial ratios, please refer to the section headed “Financial Information — Key Financial Ratios.”

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$1.35 per Share	Based on an Offer Price of HK\$1.85 per Share
Market capitalization of our Shares ⁽²⁾	HK\$1,695.6 million	HK\$2,323.6 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽³⁾	HK\$0.53	HK\$0.66
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 per Share after taking into account of the Special Dividend ⁽⁴⁾	HK\$0.36	HK\$0.49

Notes:

- (1) All statistics in this table do not take into account any Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme.
- (2) The calculation of market capitalization is based on 314,000,000 new Shares expected to be issued under the Global Offering, and assuming that 1,256,000,000 Shares are issued and outstanding immediately following the completion of the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 per Share is arrived at based on 1,176,724,000 Shares in issue including 862,724,000 existing ordinary Shares and 314,000,000 Offer Shares assuming that the Share sub-division was completed on May 24, 2019 and the Global Offering had been completed on December 31, 2018 and without taking into account of any shares which (i) were issued under the Share Award Scheme and may be issued under the Post-IPO Share Option Scheme; or (ii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) On June 5, 2019, we declared a special interim dividend of RMB177.0 million (the “Special Dividend”) in respect of the year ended December 31, 2018, which is conditional upon Listing, and payable to Mr. Wu, Mr. Jiang and Mr. Su, our Founders in the proportion of 60:20:20. The effect on per share amount is determined based on 1,176,724,000 Shares in issue including

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862,724,000 existing ordinary Shares and 314,000,000 Offer Shares assuming that the Share sub-division was completed on May 24, 2019 and the Global Offering had been completed on December 31, 2018 and without taking into account of any shares which (i) were issued under the Share Award Scheme and may be issued under the Post-IPO Share Option Scheme or (ii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

LISTING EXPENSES

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing. The remaining listing related fees are either fully charged to profit or loss or charged to profit or loss on an apportioned basis. As of December 31, 2018, we had incurred listing expenses, including legal, professional and other fees, in connection with the Global Offering. We expect the total estimated amount of listing related fees would be approximately RMB54.9 million, of which approximately RMB15.7 million were charged to our listing expenses for the year ended December 31, 2018. We expect an additional amount of approximately RMB16.5 million to be further recognized as listing expenses for the year ending December 31, 2019 and approximately RMB22.7 million to be deducted from equity upon the Listing. Our Directors expect such expenses will have an adverse impact on our financial results for the year ending December 31, 2019.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$1.60 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$440.0 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering. We currently intend to use the net proceeds of the Global Offering for the following purposes:

Amount of estimated net proceeds	Intended use of proceeds
• Approximately 24.5%, or HK\$107.7 million	For further expanding and developing our game portfolio
• Approximately 29.1%, or HK\$127.9 million	For introducing and enhancing game features or functions and for improving our technology infrastructure
• Approximately 18.0%, or HK\$79.2 million	For enhancing our marketing capabilities and improving our brand image
• Approximately 10.6%, or HK\$47.0 million	For external growth by strategically pursuing partnership and acquisition opportunities
• Approximately 7.8%, or HK\$34.2 million	For our international expansion
• Approximately 10.0%, or HK\$44.0 million	To provide funding for our working capital and general corporate purposes

If the Over-allotment Option is exercised in full, the Over-allotment Option Grantor will be required to sell up to an aggregate of 19,468,000 Shares. We estimate that the net proceeds that the Over-allotment Option Grantor will receive will be approximately HK\$30.2 million, assuming an Offer Price of HK\$1.60 per Share, being the mid-point of the proposed Offer Price range.

We will not receive any of the proceeds from the Shares to be sold pursuant to the Over-allotment Option.

See “Future Plans and Use of Proceeds” in this prospectus.

DIVIDENDS AND DIVIDEND POLICY

Jilin Xinze and Jilin Yuke declared interim dividends in the amount of RMB30.9 million and RMB15.3 million, respectively, to their then shareholders in 2017, of which RMB21.1 million and RMB15.3 million had been paid. Remaining RMB9.7 million was net off by the amounts due from the shareholders of Jilin Xinze.

In the first half of 2018, Jiexiang Interactive, Jilin Xinze and Jilin Yuke declared dividends in the amounts of RMB74.0 million, RMB15.0 million and RMB40.0 million, respectively, all of which were in respect of financial periods ended December 31, 2017 or before and had been distributed in the first half of 2018. In addition, on June 5, 2019 we declared a special interim dividend of RMB177.0 million in respect of the year ended December 31, 2018, which is conditional upon Listing, and payable to Mr. Wu, Mr. Jiang and Mr. Su, our Founders in the proportion of 60:20:20. The special interim dividend is determined with reference to the amount of our net profits for the year ended December 31, 2018. The special interim dividend will be paid within one month after Listing and will be funded using the internal

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resources of the Company. Such dividend will be paid only to the Founders as agreed among all the eight shareholders of the Company at the time of the passing of the relevant resolution approving such dividend because the Founders have made the most contribution to the business and development of the Group prior to Listing and were the key persons driving and responsible for the Listing preparation.

We may distribute dividends by way of cash or by other means that we consider appropriate, based on various factors such as our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, our capital requirements, future business plans and prospects and other factors that we may consider relevant. Assuming there is no material adverse events affecting these factors, we intend to adopt a stable general annual dividend policy of declaring and paying dividends of no less than 30% of our profit attributable to owners of our Company on an annual basis. We will continue to re-evaluate our dividend plan in light of our operation needs, earnings, financial condition, working capital requirements and future business plans as our Board may deem relevant at such time.

HISTORICAL REGULATORY NON-COMPLIANCE

We did not have any material non-compliance incident during the Track Record Period. However, there had been several immaterial non-compliance incidents, including: (i) three of our previous mobile games under our Kele Game brand name, for which we have currently ceased operation, have not obtained pre-approval from the SAPPRFT as required under the Internet Publishing Measures; and we also failed to submit the filing materials of 27 games which we currently operate within the time limit as required under the Online Game Measures; and (ii) we failed to make social insurance and housing provident fund contributions in full. These non-compliance incidents may subject us to administrative penalties. We have taken various rectification measures, including establishing internal policies, to strengthen our internal control over on-going compliance with applicable laws and regulations. For more details, please see “Business — Legal Proceedings and Compliance — Non-compliance Incidents.”

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our player base continued to grow after the Track Record Period. As of the Latest Practicable Date, our cumulative registered players reached 121,886,757 and the number of DAUs was 5,461,143. For the five-month period from January 1, 2019 to May 31, 2019, our paying players increased by 687,578 so that for the five months ended May 31, 2019, the number of our paying players was 3,913,816.

During the period from January 1, 2019 to the Latest Practicable Date, we developed 16 new Mahjong variations and 3 new poker game variations. As of the Latest Practicable Date, we offered 72 mobile apps each containing different bundles of our games products. We have developed and operated 508 mobile game products, including 469 localized variations of Mahjong, 34 poker game variations and 5 casual games. In addition, during such period, we commenced to distribute one additional third-party mobile game on our platforms.

For the year ending December 31, 2019, we expect an additional amount of approximately RMB16.5 million to be recognized as listing expenses and approximately RMB22.7 million to be deducted from equity upon the Listing. In addition, we have adopted the Share Award Scheme and a total of 79,276,000 new Shares have been issued under the Share Award Scheme. According to the vesting schedule, awards representing 74,566,000 Shares and 4,710,000 Shares shall be vested in 2019 and 2020, respectively. Our Directors expect that our Group’s financial results for the year ending December 31, 2019 will be adversely affected by the listing expenses and the share-based compensation expenses.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, other than as set forth above, there has been no material change in our financial and trading position or prospects since December 31, 2018, and there is no event since December 31, 2018 which would materially affect the information shown in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

For recent developments in regulatory environment in our industry, please refer to the paragraph headed “Recent Changes in Regulatory Environment” in this section.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the Articles of Association of our Company (as amended from time to time), adopted on June 5, 2019, a summary of which is set out in Appendix III
“Award Nominee”	WL Universe Limited, an independent nominee appointed by The Core Trust Company Limited, the trustee of our Share Award Scheme, to act as the nominee of the Share Award Scheme and holds 79,276,000 Award Shares for the benefit of directors, key employees and other eligible participants pursuant to the Share Award Scheme as at the date of this prospectus. For further details, see “Statutory and General Information — D. Share Incentive Schemes — 2. Share Award Scheme”
“Award Shares”	the Shares granted and to be granted and awarded to selected participants under the Share Award Scheme
“Beijing Yuke”	Yuke Interconnective (Beijing) Network Technology Company Limited (宇柯互聯(北京)網絡科技有限公司), a company established in the PRC on March 28, 2017
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changchun Xinkele”	Changchun Xinkele Network Technology Centre (Limited Partnership) (長春新科樂網絡科技中心(有限合夥)), a limited partnership established in the PRC
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“CIETAC”	China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)
“Circular”	the “Circular on the Administration over Mobile Game Publishing Services” (《關於移動遊戲出版服務管理的通知》), which was promulgated by the SAPPRFT and became effective on July 1, 2016
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented 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 or supplemented from time to time
“Company”, “our Company”, “we” or “us”	Homeland Interactive Technology Ltd. (家鄉互動科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on May 7, 2018, and, except where the context otherwise requires, all of our subsidiaries, or where the context refers to the time before we became the holding company of our present subsidiaries, our present subsidiaries (which include our PRC operating entities, Jiexiang Interactive and its subsidiaries)
“Concert Parties Agreement”	the concert parties agreement entered into among the Founders on September 12, 2018 concerning their cooperation as parties acting in concert regarding the management of, and to exercise control over, our Group
“Contractual Arrangements”	the exclusive business cooperation agreement, the exclusive call option agreement, the equity pledge agreement and the powers of attorney as more particularly described in the section headed “Contractual Arrangements” in this prospectus

DEFINITIONS

“Controlling Shareholders”	Mr. Wu, Wu Chengze Network Limited, Mr. Jiang, Jiang Ming Kuan Network Limited, Mr. Su and Su Bo Network Limited
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Foreign Investment Law (2015 Draft)”	the PRC Foreign Investment Law (Consultation Draft) (《中華人民共和國外國投資法(草案徵求意見稿)》) published by the MOFCOM in January 2015
“Foreign Investment Law (2019)”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》) adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019
“Founders”	Mr. Wu, Mr. Jiang and Mr. Su
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant
“GAPP”	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) (currently known as the State Administration of Press and Publication (國家新聞出版署))
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries (which include our PRC operating entities, Jiexiang Interactive and our subsidiaries, the financial results of which have been consolidated and accounted for as our subsidiaries by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (which include Jiexiang Interactive and its subsidiaries), the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“Homeland BVI”	Homeland Investment Co., Ltd. (家鄉投資有限公司), a company incorporated in the BVI on May 7, 2018, a direct wholly-owned subsidiary of our Company
“Homeland HK”	Homeland Entertainment & Technology Limited (家鄉互娛科技有限公司), a company incorporated in Hong Kong on June 4, 2018, an indirect wholly-owned subsidiary of our Company
“Homeland PRC”	Beijing Kexin Network Technology Company Limited (北京柯鑫網絡科技有限公司), a company established in the PRC on August 7, 2018, an indirect wholly-owned subsidiary of our Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer Shares”	the 31,400,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering”	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriter of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 17, 2019, relating to the Hong Kong Public Offering and entered into by, among others, the Sole Global Coordinator, the Hong Kong Underwriters and our Company
“ICP License”	a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information service
“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules

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“International Offer Shares”	the 282,600,000 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantor pursuant to the exercise of the Over-allotment Option, subject to reallocation
“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering”
“International Underwriters”	the group of underwriters, led by the Sole Global Coordinator, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Sole Global Coordinator, the Over-allotment Option Grantor, the International Underwriters and our Company on or about June 21, 2019
“Jiaxiang Interactive”	Jiaxiang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網絡科技有限公司), an operating company of our Group established in the PRC on August 31, 2015 and which is controlled by our Group through the Contractual Arrangements
“Jilin Xinze”	Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司), an operating company of our Group established in the PRC on November 13, 2009 and which is controlled by our Group through the Contractual Arrangements
“Jilin Yuke”	Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司), an operating company of our Group established in the PRC on March 10, 2017 and which is controlled by our Group through the Contractual Arrangements
“Jilin Yutai”	Jilin Yutai Network Technology Company Limited (吉林省豫泰網絡科技有限公司), a company established in the PRC on January 5, 2018
“Joint Bookrunners”	SBI China Capital Financial Services Limited and China Galaxy International Securities (Hong Kong) Co., Limited

DEFINITIONS

“Joint Lead Managers”	SBI China Capital Financial Services Limited, China Galaxy International Securities (Hong Kong) Co., Limited and I Win Securities Limited
“Latest Practicable Date”	June 9, 2019 being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, July 4, 2019 on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Memorandum” or “Memorandum of Association”	the Memorandum of Association of our Company (as amended from time to time), adopted on June 5, 2019, a summary of which is set out in Appendix III
“MIIT”	Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部)
“MOC”	Ministry of Culture of the People’s Republic of China (中華人民共和國文化部), and currently known as the Ministry of Culture and Tourism (中華人民共和國文化和旅游部)
“MOFCOM”	Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“Mr. Ding”	Mr. Ding Chunlong (丁春龍), a key employee of our Group and a shareholder holding approximately 1.87% of the total issued share capital of our Company as of the date of this prospectus
“Mr. Guo”	Mr. Guo Shunshun (郭順順), an executive Director and a shareholder holding approximately 7.33% of the total issued share capital of our Company as of the date of this prospectus
“Mr. Jiang”	Mr. Jiang Mingkuan (蔣明寬), an executive Director and one of our Founders and Controlling Shareholders

DEFINITIONS

“Mr. Men”	Mr. Men Geng (門耕), an executive Director and a shareholder holding approximately 1.87% of the total issued share capital of our Company as of the date of this prospectus
“Mr. Su”	Mr. Su Bo (蘇波), an executive Director and one of our Founders and Controlling Shareholders
“Mr. Wu”	Mr. Wu Chengze (吳承澤), an executive Director and one of our Founders and Controlling Shareholders
“Nominee Agreements”	the agreements entered into by respective legal and ultimate beneficial owners of each of Jilin Xinze, Jiaxiang Interactive and Jilin Yuke acknowledging and confirming the nominee arrangements in respect of Jilin Xinze, Jiaxiang Interactive and Jilin Yuke prior to the Reorganization
“NPC Standing Committee”	the Standing Committee of the National People’s congress
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
“Offer Shares”	the Hong Kong Public Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantor pursuant to the exercise of the Over-allotment Option
“Online Tuyou”	Online Tuyou (Beijing) Technology Company Limited (在線途遊(北京)科技有限公司), a company incorporated in the PRC and an independent third party, previously held 2% equity interest in Jilin Yuke
“Over-allotment Option”	the option expected to be granted by the Over-allotment Option Grantor to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which the Over-allotment Option Grantor may be required to sell up to an aggregate of 19,468,000 Shares at the Offer Price to cover over-allocations in the International Offering, if any
“Over-allotment Option Grantor”	Jiang Ming Kuan Network Limited, in the capacity of the grantor of the Over-allotment Option pursuant to the International Underwriting Agreement

DEFINITIONS

“Post-IPO Share Option Scheme”	the share option scheme we conditionally adopted pursuant to a resolution passed by our Shareholders on June 5, 2019, the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisor”	Han Kun Law Offices
“Price Determination Date”	the date, expected to be on or about Friday, June 21, 2019, on which the Offer Price will be determined and, in any event, not later than Tuesday, June 25, 2019
“Regulation S”	Regulation S under the U.S. Securities Act
“Registered Shareholder”	Jilin Yutai, being the registered shareholder of Jiayang Interactive
“Reorganization”	the reorganization of the Group in preparation of the Listing, details of which are set out in “History, Reorganization and Corporate Structure”
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange People’s Republic of China (中華人民共和國外匯管理局)
“SAFE Circular 37”	the “Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles” (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by SAFE with effect from July 4, 2014
“SAIC”	State Administration of Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局), now known as State Administration of Market Regulation (國家市場監督管理總局)

DEFINITIONS

“SAPPRFT” or “SART”	The State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China (中華人民共和國國家新聞出版廣電總局), formerly known as GAPP and The State Administration of Radio, Film and Television of the People’s Republic of China (中華人民共和國國家廣播電影電視總局) and since March 2018 known as The State Administration of Radio and Television of the People’s Republic of China (中華人民共和國國家廣播電視總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares in the capital of our Company with nominal value of US\$0.000005 each
“Shouning Jiexiang”	Shouning Jiexiang Interactive Investment Partnership (Limited Partnership) (壽寧家鄉互動投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Shouning Weiyou”	Shouning Weiyou Interactive Investment Partnership (Limited Partnership) (壽寧微遊互動投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Sole Global Coordinator”	SBI China Capital Financial Services Limited
“Sole Sponsor”	China Everbright Capital Limited
“Stabilizing Manager”	SBI China Capital Financial Services Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Jiang Ming Kuan Network Limited (as the Over-allotment Option Grantor) and the Stabilizing Manager, pursuant to which the Stabilizing Manager may borrow up to an aggregate of 19,468,000 Shares to cover any over-allocations in the International Offering, if any
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the years ended December 31, 2016, 2017 and 2018
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time
“VIE”	variable interest entity, which in our Group refers to Jiexiang Interactive
“Weile Xingkong”	Weile Xingkong Network Technology Co., Ltd. (微樂星空(北京)網絡技術有限公司), a company established in the PRC on September 9, 2013, an independent third party of our Group
“ White Form eIPO ”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

In this prospectus, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“active player”	in any given period, refers to an existing registered player that has logged on to any of the mobile game apps offered and operated by our Company on any device at least once during such period; repeat log-ons by the same player from the same device are counted once only
“ARPPU”	monthly average revenue per paying player, which is calculated as the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in such period
“average paying player conversion rate”	represents the average ratio of MPUs to MAUs in a given period of time
“DAUs”	daily active players; in any given period, the number of DAUs refers to the number of daily active players as at the latest calendar day of such period
“DDoS attack”	distributed denial-of-service attack, being a type of cyber-attack in which the perpetrator disrupts service of a host from many different sources with the aim of making a machine or network unavailable to the intended users
“HTML5”	being the fifth and current major version of HTML standards, a recent markup language used for structuring and presenting content on the World Wide Web
“MAU”	monthly active players; in a given month or period; the number of MAUs refers to the number of active players in a given month or the average of MAUs in the given period
“MPU”	monthly paying users; in a given month or period; refers to the number of paying players in a given month or the average of MPUs in the given period
“paying player”	in any given period, refers to a player who pays money to play any of our Company’s mobile game products or to purchase virtual tokens offered by our Company in our mobile game products at least once; a player who pays more than once in such period is counted only once
“registered player”	a player who has downloaded any of our mobile game apps onto any mobile device and enters such game product on such mobile device the first time

FORWARD-LOOKING STATEMENTS

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

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

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

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

RISK FACTORS

Investing in our Shares involves risks. Before deciding to invest in the Shares, you should carefully consider all of the information in this prospectus, including the following risk factors, in light of the circumstances and your own investment objectives. The occurrence of any of the following events could materially adversely affect our business, financial condition and results of operations, in which case the trading price of our Shares could also decline, and you could lose part or all of your investment. You should pay particular attention to the fact that we are an exempted company incorporated in the Cayman Islands and that our principal operations are conducted in the PRC and are governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions.

There are certain risks and uncertainties involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in the PRC; and (iv) risks relating to the Global Offering. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Failure to obtain, renew or retain requisite licenses, permits or approvals or failure to comply with applicable laws and regulations may adversely affect our ability to conduct our business.

The mobile game industry in the PRC is highly regulated. We currently derive all of our revenue from Jiayang Interactive and its subsidiaries (collectively, the “**PRC Operating Entities**”). The PRC Operating Entities are required to obtain and maintain applicable licenses and approvals from different regulatory authorities in order to provide their current services. Under the current PRC regulatory scheme, a number of government authorities, including but not limited to the MOC and the MIIT, jointly regulate major aspects of the Internet industry, including the mobile game business. Game operators must obtain various government approvals and licenses for game operation businesses.

We have obtained the ICP Licences for provision of value-added telecommunications services, and Internet Cultural Business Licenses for the operation of our mobile game products, which are essential to the operation of our business in the PRC and are generally subject to regular government review or renewal. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licences are sufficient to conduct all of our present or future business.

The regulatory environment applicable to our business in the PRC is complex, and considerable uncertainties exist regarding the interpretation and implementation of existing and future laws and regulations governing our business activities. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities’ implementation and interpretation of these laws and regulations. If we fail to obtain, renew or maintain any of the required licenses or approvals or make the necessary

RISK FACTORS

filings in a timely manner or at all, we may be subject to various penalties, such as imposition of fines, discontinuation or restriction of our operations, and confiscation of the revenue illegally obtained. Any penalties arising from our violation of local applicable laws may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Two game categories have generated substantially all of our revenue. Any failure to maintain or enhance the performance of games in these game categories could materially and adversely affect our business and results of operations.

Among 508 mobile game products we developed and operated as of the Latest Practicable Date, there were 469 localized game variations of Mahjong, 34 poker game variations and 5 casual games. During the Track Record Period, we generated substantially all of our revenue from the sales of virtual tokens and private game room cards consumed in our self-developed mobile game products. Such virtual tokens are mainly consumed in our Mahjong and poker game variations. Aggregate consumption of virtual tokens in our Mahjong game products accounted for approximately 40.9%, 43.5% and 56.9% of total virtual tokens consumed in 2016, 2017 and 2018, respectively. Aggregate consumption of virtual tokens in our poker game products accounted for approximately 59.1%, 54.3% and 30.0% of total virtual tokens consumed in 2016, 2017 and 2018, respectively. The remaining consumptions were in our casual and other games. Since the launch of our private game room cards in 2017, aggregate consumption of private game room cards in our Mahjong game products accounted for approximately 98.6% and 94.6% of our total consumption of private game room cards in 2017 and 2018, respectively. Over the same periods, aggregate consumption of private game room cards in our poker game products accounted for approximately 1.4% and 5.4% of total private game room cards consumed in 2017 and 2018, respectively. We expect that our Mahjong and poker game variations will continue to contribute the majority of our revenue in the foreseeable future. Should there be (i) any decline in the number of players of these game products due to intensified competition or other reasons; (ii) any delay and failure of us in offering additional localized Mahjong and poker game variations; (iii) any failure by us to improve, upgrade or enhance these game products 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 adverse developments specific to these games, our business, financial condition and results of operations could be materially and adversely affected. Although we believe that these games have long lifespans as they are based on games that have rich offline traditions, we cannot assure you that our players will not be distracted from us by Mahjong or poker game products developed by other third parties, or that players will not lose interest in these game products at all over time as a result of changing player interests or preferences. If these game products become less popular or experience any adverse development, or if revenues generated from these game products decline in any short or extended period of time for any reason, our results of operations and financial position will be materially and adversely affected.

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If we fail to strengthen our existing game portfolio, launch high-quality new games or game variations and enhance player experience, our ability to continue to retain existing players and attract new players will be materially and adversely affected.

Our growth depends on our ability to attract new players and retain existing players. In order to maintain and expand our player base, we must continue to invest significant resources in research and development to strengthen our existing game portfolio and launch high-quality new games or game variations. Our ability to successfully implement our development strategies and launch, operate and expand our game portfolio to attract and retain players depends on many factors, including our ability to anticipate and effectively respond to changing player interests and preferences, to anticipate and respond to changes in the competitive landscape, to achieve geographic expansion by offering more localized Mahjong game variations, poker game variations and other classic and casual games, and to develop additional in-game functions and features that are fun, interesting and compelling to play. Any of such failure may cause our player base not to increase at the rate we anticipate, or at all, and it may even decrease. In addition, although most of our games are based on classic games with rich offline traditions and long product lifespan, we cannot guarantee that our game products will continue to maintain their current level of popularity and player engagement, or rapidly changing industry trends and player preferences will not render our game products obsolete over time. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Moreover, in order to attract and retain players, we must also devote significant resources to enhancing our player experience on an on-going basis. We must enhance the functions and features of our game products in a manner that appeals to our players, and ensure the reliability of our game operating systems. If we fail to continuously enhance our player experience by anticipating and effectively responding to their different tastes, preferences and needs, or if we fail to provide helpful customer service or address player complaints in a timely manner, we may lose existing players and fail to attract new players, and our business, results of operations and growth prospects will be materially and adversely affected.

We primarily distribute our mobile game products through our proprietary channel. Any disruption of our proprietary channel could materially and adversely affect our business, financial condition and results of operation.

We distribute our game products on both Android and iOS mobile operating systems. We primarily rely on our self-generated user traffic and distribute our game products through our own websites or through our own official social media accounts. A player can download and install our game products on our website by entering a mobile phone number and by scanning a QR code with his/her mobile phone. Unlike the third-party game distribution channels including cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc.'s App Store, which are widely recognized by the public, mobile game players may be discouraged from installing mobile games obtained from our proprietary channel. Furthermore, our own websites and social media accounts may also be shut down by the social media platform providers. If our proprietary channel becomes non-accessible or ineffective, our business, financial condition and results of operation may be materially and adversely affected.

RISK FACTORS

We rely on a small portion of our registered players for a substantial portion of our revenue.

During the Track Record Period, only a small portion of our registered players were paying players. Our paying players were 878,834, 3,128,514 and 3,226,238, respectively, for the years ended December 31, 2016, 2017 and 2018, accounting for approximately 10.6%, 8.4% and 7.4% of our new registered players for the relevant year end, respectively, as of such dates. As a result, the numbers of our registered players, paying players and DAUs do not necessarily indicate our actual and potential revenue generating capability. To sustain our growth, we must continue to monetize our players more effectively. If we are unable to retain our paying players, attract new paying players, convert non-paying players to paying players or increase or maintain the in-game purchases by our players, our revenue and profit margin may be adversely affected.

Our rapid growth during the Track Record Period may not be indicative of our future growth, and our short operating history makes it difficult to evaluate our growth prospects and future financial results.

Although we experienced a rapid growth in the number of registered and paying players and revenue during the Track Record Period, we have a short history of operating our mobile game products upon which to evaluate the viability and sustainability of our business. Our growth rate during the Track Record Period should not be indicative of our future performance. Instead, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving industries, such as the mobile game industry.

We believe that our continued growth will depend on our ability to, among others:

- manage our growing size and expanding business, including controlling costs, establishing sufficient internal controls, attracting and retaining talent and maintaining our corporate culture;
- continue to offer new and high-quality game products and enhance existing game products to attract and retain players and increase player activity level;
- retain and expand paying players and encourage additional purchases by our paying players;
- upgrade our technology and infrastructure to support increased player traffic and expanded game portfolio and to ensure system stability;
- further enhance our offline and online marketing capability to promote our brand awareness and deepen the penetration in existing markets and expand into new geographic markets in the PRC; and
- react to changes in industry trends, market conditions and intensifying competition, particularly user access to and use of the internet and popular mobile operating systems, and changing player preferences and behaviors in mobile devices and apps.

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We cannot assure you that we will achieve any of the above. We may also be required to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. If we fail to successfully address any of the above risks and uncertainties, our revenues and operating margins may decline.

We are subject to risks and uncertainties associated with the use of third party payment vendors.

We utilize third party payment vendors, mainly WeChat Pay and Alipay, to facilitate players' in-game purchases. These payment vendors are also commonly used by our third-party distribution channels. Any scheduled or unscheduled interruption in the ability of our players to use these and other third parties' payment systems could adversely affect our payment collection, and in turn, our revenue. Secured transmission of confidential information, including critical personal information of the players over public networks, during the payment process is essential to maintain their confidence in us and our game products. We also rely on the stability of such payment transmissions to ensure the continued payment services available to our players. We do not have control over the security measures of our third party payment vendors. If any of these third party payment vendors fails to process, or ensure the security of, players' payments for any reason, our reputation will be damaged and players may be discouraged from making purchases and we may lose our paying players, which in turn, will materially and adversely affect our business, financial condition and prospects.

In addition, our use of third party payment vendors subjects us to handling fees based on the number of transactions or the total transaction value. As such, as our business continues to grow, we are expected to incur higher amounts of handling fees in the future. On the other hand, the service terms and conditions, including the fee structure, of these third party payment vendors are generally standard and we have little bargaining power. We are subject to uncertainties that these payment vendors modify their service terms and conditions, including an increase in handling fees, that are less favorable to us. If any of these third party payment vendors discontinues its relationship with us due to any reason, or limits our access to its systems, or provides more favorable terms to our competitors or develop its own games, or is forced to cease the business relationship with us or change its business model due to the changing regulatory requirements, our business and financial condition could be adversely affected.

Lastly, the use of third party payment vendors involves the secured and proper connection of our authorized bank accounts with the systems of such third party payment vendors. If the connection or settlement process with the third party payment vendors are interrupted due to technical difficulties or other reasons, our collection of payments from players may be delayed. In addition, if an unauthorized bank account is used to connect to the systems of such third party payment vendors due to malpractice of our employees or other reasons, we may experience risks and difficulties to claim such payments that are wrongfully transferred. All of these practice may adversely and materially affect our business and results of operations.

RISK FACTORS

We utilize third-party distribution channels to distribute our game products. If we are unable to maintain good relationships with these third-party distribution channels, our business and results of operations will be adversely affected.

We primarily rely on our self-generated user traffic. However, we also from time to time utilize various third-party game distribution channels, including cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc.'s App Store, for the distribution and promotion of our game products. Approximately 11.7%, 4.7% and 16.4% of the total sales proceeds of virtual tokens and private game room cards received by us for the years ended December 31, 2016 and 2017 and 2018, respectively, was derived from our third-party game distribution channels in these periods. These third-party distribution channels have strong bargaining power in dealing with game developers and operators like us. We are subject to the standard service terms and conditions of these third-party distribution channels with regard to the promotion and distribution of our game products. These third-party distribution channels also have the discretion to limit our access to its channels and/or may take our mobile game apps already launched on its system offline. In particular, in the third quarter of 2018, Apple Inc. had removed a large number of apps from its App Store in the PRC, as a result of the inspection conducted by Apple Inc. 19 of our game apps were taken off-the-shelf of Apple Inc.'s App Store in August 2018. We cannot assure you that when these game apps can become available again on Apple Inc.'s App Store in the PRC. We cannot assure you that these third-party distribution channels will continue its relationship with us based on existing terms of services, or that these third-party distribution channels will not further limit our access to its channels. If any of these third-party distribution channels (i) goes out of business, (ii) discontinues its relationship with us due to any reason, such as our failure to comply with any laws or regulations in any jurisdiction where our games are offered, (iii) limits our access to its channels, (iv) take our mobile game apps already launched on its system offline, (v) modifies its terms of services or other policies, (vi) changes its fee structure, (vii) provides more favorable terms to our competitors or develop its own games, or (viii) is forced to cease the business relationship with us due to its lack of required license or permits or other regulatory compliance issues, our business could be adversely affected.

Furthermore, under the agreements we entered into with our third-party game distribution channels, we are responsible for the losses incurred by these parties resulting from the violation of any applicable rules and regulations or any infringement upon other third parties' intellectual property rights by our game products. The agreements may be terminated by these third-party game distribution channels if our game products are reported to have violated the relevant rules or regulations or have infringed upon other parties' intellectual property rights, or if our game products are not able to operate properly and we are not able to solve the technical problems within the required period. If any of the above happens and the relevant agreement is terminated, our business and financial condition may be materially adversely affected.

In addition, we have benefited from the widely recognized brand names and large user bases of these third-party distribution channels. If any of these third-party distribution channels loses its market position or otherwise falls out of favor among users or other factors cause its user base to stop growing or shrink, or if any of them fails to perform its contractual obligations to us, we would need to identify alternative platforms for promoting and distributing our game products, which would consume substantial resources and may not be effective, or available at all.

RISK FACTORS

Our game products and operations are subject to laws and regulations of the PRC. We cannot guarantee you that such laws and regulations would not be interpreted in ways that could affect our business.

Mobile game industry in the PRC is under increased public scrutiny and is subject to complex and evolving domestic and international laws and regulations. We may face risks and uncertainties posed by local political, regulatory and religious environments and failure to comply with country-specific regulatory restrictions may expose us to fines, penalties and liabilities. In particular, even though we believe that our game products do not constitute gambling, as our virtual tokens can only be used in our game products, cannot be cashed out or sold/transferred otherwise and have no monetary value outside our game products, we are required to continuously comply with laws and regulations concerning content, operation and offering of such activities and game products in jurisdictions in which we operate. There is no assurance that our game products will not be deemed as illegal or inappropriate, or our game business will not be challenged or subject to any regulatory action, in any of our existing or future target markets, including overseas markets. If we are unable to offer any of our existing or new game products in any of our existing or future target markets, including overseas markets, due to regulatory restrictions, which may include but are not limited to regulations governing electronic commerce, internet and mobile game publication, registration and filing, anti-gambling, electronic payments, and tax burdens and foreign exchange, our business, international expansion and growth prospects may be significantly harmed.

Moreover, any failure, or perceived failure, by us to comply with the above and other regulatory requirements or laws, rules and regulations could result in reputational damages or proceedings or actions against us by governmental entities, players or others. These proceedings or actions could subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and severely disrupt our business, hinder our expansion. Additionally, any non-compliance or perceived non-compliance of our competitors may also harm the reputation and confidence in our industry as a whole, which, will in turn adversely affect our business.

Evolving PRC regulatory environment of the mobile game industry could impact our ability to launch and publish new game products which could in turn affect our results of operation.

The regulatory environment of the mobile game industry is evolving. New laws and regulations may be adopted or amended from time to time. On August 30, 2018, eight PRC regulatory authorities at national government level released the Implementation Program on Comprehensive Prevention and Control of Adolescent Myopia (《綜合防控兒童青少年近視實施方案》) (the “**Implementation Program**”). As a part of the plan to prevent myopia among children, the Implementation Program plans to regulate the number of new online games and restrict the amount of time that children spend on playing electronic devices. As of the Latest Practicable Date, no implementation rule has been issued to enforce the Implementation Program. Although it is unclear when and how this Implementation Program will be enforced, its enforcement could impact our ability to launch and publish new games going forward, and require us to spend more time and costs in preparing and receiving the approvals necessary to launch our games. The enforcement of the Implementation Program could also discourage children from playing our games due to restriction on playing time, which could have a material adverse effect on our business, financial conditions, results of operations and prospects.

RISK FACTORS

We may not be able to find sufficient game developers and engineers to carry out our expansion plan.

As disclosed in the section headed “Future Plans and Use of Proceeds”, we plan to hire over 300 experienced game developers and engineers in the next three years to achieve business expansion. Competition for game developers and engineers with appropriate qualifications and experience is intense and may increase. Our inability to identify and recruit sufficient game developers and engineers with appropriate qualifications and experience in a timely manner, or retain existing game developers and engineers could have a material impact on our expansion plan.

Our Group’s future partnerships and/or acquisitions may prove to be difficult to integrate and manage or may not be successful. Failure to address such risk may have a material adverse affect on our financial condition, results of operations, cost structure and risk profile.

In the future, we may leverage our game development expertise to identify and acquire mobile game developers and operators, especially those small- to medium-sized local regional game developers and operators to obtain their teams, player base, and know-how, and gain a quick access to a local market. Please refer to the paragraph headed “Business — Our Strategies — Strategically Pursue Partnership and Acquisition Opportunities and Broaden Domestic and Overseas Market Reach” in this prospectus for details for such strategy. Currently, we have allocated approximately HK\$47.0 million, representing approximately 10.6% of the estimated net proceeds from the Global Offering, assuming an Offer Price of HK\$1.60 per Offer Share (being the mid-point of the Offer Price range stated in this Prospectus), to be used for strategically pursuing partnership and acquisition opportunities, of which approximately HK\$34.2 million is intended to be used to pursue partnership with or acquisition of mobile game developers and operators. Nevertheless, as of the Latest Practicable Date, we have not identified any specific target for such acquisition.

This strategy entails potential risks that could have a material adverse effect on our business, financial condition, results of operations and prospects, including:

- unidentified or unanticipated liabilities or risks in the businesses which we may acquire;
- inability to successfully integrate the products, services and personnel of the businesses which we may acquire into our operations or to realise any synergies from the acquisitions;
- inability to retain employees and player base of the businesses acquired; and
- diversion of management attention and other resources.

In addition, we may not be able to identify attractive acquisition opportunities, or make acquisitions on attractive terms or obtain financing necessary to complete and support such acquisitions. We cannot assure you that any of such acquisitions will result in long-term benefits to us or that we will be able to effectively manage the integration and growth of our operations. Failure to address such risks may have a material adverse effect on our financial condition, results of operations, cost structure and risk profile.

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Any administrative changes in the regulatory government authorities or difference in interpretation of applicable laws and regulations may impact on the market conditions which could in turn affect our results of operations.

Our operations of mobile game products are subject to the supervision and administration of multiple government authorities in the PRC. Any administrative changes in the regulatory government authorities may also impact on the market conditions which could in turn affect our results of operations. In early 2018, the SAPPRFT, being the government authority responsible for granting pre-approval of publication of domestic online games, was replaced by SART according to the institutional restructuring plan of the State Council. In the meantime, we notice that no new games has been granted by the relevant government authority since April 2018 until December 2018 when 164, 283, 279, 233 and 40 domestic online games have obtained the pre-approval as indicated by the information released on the website of SAPPRFT in December 2018, January 2019, February 2019, March 2019 and April 2019, respectively. We were not able to obtain pre-approval for any new game products since April 2018. Similarly, the filing procedures for new games with the MOC has also been suspended since then. As of the Latest Practicable Date, no government authorities/sources, including the SAPPRFT and the MOC, has issued or promulgated any official policy, regulation or statement in respect of (a) any suspension of pre-approval from the SAPPRFT or suspension of post-filing with the MOC for the publishing and commercial launch of mobile games, or (b) any proposed, revised or new administrative/regulatory approval procedure involving pre-approval or post-filing requirements for the publishing and commercial launch of mobile games. We have sought advice from our PRC Legal Advisor and considered that as many of the game variations to be launched by our Group only involve minor changes to the rules of the existing games and do not involve introduction of upgrading works or new information as described under the Circular, we are not required to obtain further approval prior to launching such game variations. However, there is no assurance that our interpretation on the application of the Circular and our judgment of whether our new game variations involve introduction of upgrading works or new information are consistent with that of SAPPRFT. Any suspension of approval of publication of new online games and filing by the relevant government authorities or difference in interpretation of the Circular may impact our introduction of new games or game variations and expansion of operational scale. If such market conditions remain, our results of operations may be materially and adversely affected.

Violations of our game policies may impede our revenue growth and materially and adversely affect our business.

We have established game policies against unauthorized and inappropriate player behaviors, such as unauthorized transfers of virtual tokens, abnormal purchases, accounts theft, cheating practices and other inappropriate or harassing behaviors. Under our game policies, we do not allow players to sell or transfer, among other things, virtual tokens or other virtual items. Virtual tokens and other virtual items offered in our games have no monetary value outside of our games. Under our game policies, the accounts of the players who are found to have bought or sold our virtual tokens or other virtual items directly or through unauthorized third parties will be suspended or terminated permanently. Notwithstanding our measures and efforts, we do not have effective control over these unauthorized transactions. We cannot assure you that we are able to effectively detect or prevent such unauthorized

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transactions, if at all. Such unauthorized purchases and sales could impede our revenue and profit growth by decreasing revenue from authorized transactions, creating downward pressure on the prices we charge players for our virtual tokens and other virtual items, increasing costs we incur to develop technological measures to curtail unauthorized transactions, and increasing customer support costs to respond to dissatisfied players. In addition, transactions through unauthorized third-party channels may involve fraud that is out of our control and we may face potential claims from our players in connection with their losses resulting from third parties' fraudulent activities. Such claims, regardless of their merit, may harm our reputation, divert our management's attention and cause additional expenses in defending against these claims. If these unauthorized transactions become more prevalent among our players, our business and results of operations will be significantly affected.

In addition, there have been negative publicity in the PRC in connection with private game room function operated by other third party mobile game developers which were illegally used for offline gambling activities. Our policies disallow our players to exchange the virtual tokens and other virtual items for real money and to use our games, particularly the private game room function, to engage illegal gambling activities which may be conducted offline or outside of our game products. We frequently publish in-game notifications to alert our players. In addition, we have adopted internal policies to restrict our employees to, offer or promote our mobile game products as a tool for gambling. However, we cannot assure you that all activities of our players and our existing policies are sufficient to prevent all illegal gambling activities offline. Such negative publicity may adversely affect the reputation of and confidence in the entire mobile Mahjong and card and board game industry in the PRC. Furthermore, this may bring more stringent and broader administrative authorities' scrutiny and censorship on private game room function or other functions we may develop for our mobile game products, which may adversely and materially restrain our business.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy or security breaches. Our business and operating results may be harmed by service disruptions or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our growing operations will place increasing pressure on our server and network capacities as we launch more games and further expand our player base. We may encounter problems when upgrading our systems or services, such as undetected programming errors, which could adversely affect the performance of our operating systems and player experience.

In addition, we outsource cybersecurity services to professional agencies to further safeguard our network infrastructure. We also leased high-performance cloud servers to collectively host, manage and process all of our non-core operating data, which act as gateways and prevent direct on-premises data access to our locally saved core data. Any disruptions or other problems with these services are out of our control and may be difficult for us to remedy. If our arrangements with any of these third parties are terminated, invalidated, or modified against our interest, we may not be able to find alternative services or solutions on a timely basis or on terms favorable to us, or at all.

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Furthermore, as we operate all our game products in the PRC, our business depends on the performance and reliability of the internet infrastructure in the PRC. Almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology (or the MIIT). We rely on this infrastructure to provide data communications primarily through local telecommunication lines and wireless telecommunication networks. In addition, the national networks in the PRC are connected to the internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic user can connect to the internet and may not support the demand necessary for the continued growth in internet usage. Although the PRC government has plans to develop the national information infrastructure, we cannot assure you that a sophisticated internet infrastructure will be developed. In the event of disruptions, failures or other problems with China's internet infrastructure, we or our players may not have access to alternative networks on a timely basis, or at all.

In addition, any security breach caused by hackings, which involve efforts to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, the intentional or inadvertent transmission of computer viruses and similar events or third party actions could have a material and adverse effect on our business, financial condition and results of operations. Historically, we have experienced 1,186, 2,314 and 976 DDoS and other types of malicious attacks for the years ended December 31, 2016, 2017 and 2018, respectively, none of which had a material adverse impact on our business, financial condition or results of operations. Operations of our game products involve the storage and transmission of players' game account information in our facilities and on our equipment, networks and corporate systems, which may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise. It may be difficult for us to respond to security breaches in a timely manner or at all. Any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our players may harm our reputation and our ability to retain existing players and attract new players. If an actual or perceived breach of our security occurs, players' confidence in the effectiveness of our security measures could be harmed. As a result, we could lose players and suffer financial losses due to such events or in connection with the remediation efforts, investigation costs and system protection measures.

Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes, power loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our game products or the access to our game operating systems, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our players' satisfaction, which in turn, will adversely affect our reputation, player base and future operations and financial condition.

RISK FACTORS

Failure or delay in collecting trade receivables could affect our liquidity and results of operations

Our trade receivables consist of sales proceeds that the game distribution platforms' payment systems and payment vendors have collected from our players but not yet paid to us. We generally grant a credit term of up to 60 days to our game distribution platforms. We do not have any collateral or other credit enhancements over our trade receivable balances. Our management conducts periodic review on the aging condition of our trade receivables and evaluate the likelihood of collection based on each creditor's situation and ability to pay in full. However, we cannot guarantee collection of amounts due from our business partners in a timely manner. If we experience delays or failure in collecting outstanding trade receivables, our liquidity and results of operations could be materially and adversely affected.

The entry barriers are low in the mobile game industry. We face intense competition, which could reduce our market share and materially and adversely affect our results of operations and growth prospects.

The mobile game industry is highly competitive with low barriers to entry and we expect more companies to enter this industry and a wider range of game products to be introduced. In addition, most of our games are based on classic Mahjong and other card games which are not original games that require significant creative research and development commitment. We compete primarily with other mobile game developers and operators in the PRC. Due to our numerous localized game variations, we also compete with local small mobile game developers and operators in each regional location. Our current or potential competitors may have greater operating experience and more financial, marketing and other resources than we do, which may offer them an advantage in developing and operating or acquiring games, conducting marketing and promotional activities and hiring talent, particularly, game developers. Comprehensive platform operators have large user traffic and high user stickiness generated by their comprehensive services, which they may be able to leverage to launch and support the success of their online and mobile game operations. Regional game developers, on the other hand, may be more familiar with local culture and game rules than us and have accumulated a sizable local customer base. Compared to some of our competitors, we may have less recognized brand name among our target players. This may put us at a competitive disadvantage in attracting players when competing with other game operators that have greater brand recognition. If we fail to compete effectively, we may lose players, our market share may decrease and our business, financial condition and prospect will be materially and adversely affected.

In addition, the competition within the broader entertainment industry is intense. Our players are offered with a vast range of entertainment options and may be attracted to other competing forms of entertainment, such as traditional real-world or online games, movies, televisions and sports, which are much larger and better established markets. Our players may also be attracted by other types of mobile apps, such as social platforms, music and video platforms and live broadcasting platforms. These other entertainment options compete for the discretionary time and income of our players. If we are unable to sustain sufficient interest in our game products, our business model may no longer be viable and profitable.

RISK FACTORS

Our games and players' game experience may be adversely affected by cheating practices and scam offers that seek to exploit the vulnerabilities in our game products.

Unrelated third parties have developed, and may continue to develop, cheating practices that enable players to exploit vulnerabilities in our game products or obtain unfair advantages over other players who play fairly, including those that enable certain players to collude with each other. These practices harm the experience of players who play fairly and may disrupt the virtual economies of our game products. In addition, unrelated third parties may attempt to scam our players with fake offers for virtual tokens or other game benefits. We detected and terminated a small number of player accounts due to cheating practices during the Track Record Period. See “Business — Game Development and Operation — Regulation of Game Environment” in this prospectus. It has been increasingly difficult to detect and prevent cheating programs for mobile games. We have employed measures to discover and disable these practices and activities, but if we are unable to do so effectively or quickly, our operations may be disrupted, our reputation may be damaged and players may stop playing our game products. This may lead to unsatisfactory game experience which in turn may cause losses of revenue from paying players, increased cost of developing technological measures to combat these practices and activities, legal claims relating to the decrease in value of our virtual tokens, and increase customer service costs to respond to dissatisfied players.

The value of our virtual tokens is highly dependent on how we manage our game economies. If we fail to manage our game economies properly, our financial condition may be affected.

Paying players purchase virtual tokens in our games based on the perceived value of these virtual tokens, which is dependent on the relative ease of securing equivalent virtual tokens via non-paid means within the game products. The perceived value of these virtual tokens can be affected by an increase in the availability of free or discounted virtual tokens. In order to increase players' purchases of our virtual tokens, we may launch various in-game promotional sales from time to time. However, such activities, if offered too frequently, may affect paying players' willingness to purchase regularly-priced virtual tokens, which will adversely affect our revenue. In addition, the value of our virtual tokens may also depend on the game rules we designed which determine the amount and speed of the consumption of such tokens in each game session. If we fail to manage our game economies properly, players may be less likely to purchase virtual tokens and our financial condition may be affected.

Our game products may contain undetected programming errors, flaws or other defects and may encounter external interruptions.

Our game products may contain undetected programming errors, bugs, flaws, corrupted data or other defects that only become apparent after the launch of such game products. The occurrence of undetected errors or defects in our game products and our failure to discover and stop the external interruptions could disrupt our business, damage our reputation and deliver negative game experience. As a result, such errors, defects and external interruptions could adversely affect our business, financial condition and results of operations.

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Our business relies on our data analytical capabilities, any adverse impact on which would materially and adversely affect our ability to form appropriate business strategies.

Our game design, localization and operation are data driven, focusing on the potential player base we aim to target. We rely on our data analytical capabilities to continue to develop and promote popular mobile game products, improve player experience, and enhance our player stickiness and eventually monetization of our game products. We evaluate our business operations by reviewing a broad set of game operational and player behaviour information, such as the engagement level of our game products, player retention rate, as well as numbers of registered players, active players and paying players. Capturing accurate data calls for the accuracy, integrity and efficiency of our information technology infrastructure. We may also collect certain data from the collaboration with our third-party payment vendors and distribution channels. Our ability to verify such data is limited. Therefore, if our data analysis capability is compromised due to any reason, the key performance indicators we use for data analytics may not always be accurate and reflect our actual business operations. Similarly, if we incorrectly assess our player demands and interests, market conditions, or potential competitive landscape based on our data analytics, we may not be able to make sound operational and strategic decisions. Such failure may materially and adversely affect our business, financial conditions and results of operation.

Our success depends on the collaborative efforts of our management team and other key employees. If we lose their services, our business may be seriously harmed.

Our success has depended and will continue to depend upon the continued service of our senior management team and other key employees. In particular, we rely on the expertise and experience of our Founders, Mr. Wu, our Chairman, Chief Executive Officer and an executive Director, Mr. Jiang, our Chief Operating Officer and an executive Director, and Mr. Su, our Chief Investment Officer and an executive Director. In addition, as we focus on the development of mobile game products, we need to continue to attract and retain skilled and experienced game developers to maintain our competitiveness. Competition for management personnel and developers in the game industry is intense, as the pool of qualified candidates is limited, and it may be increasingly difficult for us to attract and retain skilled and experienced personnel. If one or more of our senior management team or key employees were unable or unwilling to continue their services with us, we may not be able to fill the vacancies with suitable candidates in a timely manner, or at all, and we may incur additional expenses to recruit and train new personnel. Our business could then be severely disrupted, and our financial condition and results of operations could be adversely affected. If any of our senior management team or key employees joins a competitor or forms a competing company, we may lose players, know-how and key personnel. Each of our senior management members and key employees has entered into an employment agreement with us that contains confidentiality provisions. However, if a dispute arises between such any senior management member or key employee and us, we cannot assure you that we would be able to enforce these non-compete provisions in the PRC.

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Failure to make adequate contributions to various employee benefit plans as required by PRC laws and regulations may subject us to penalties.

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 were not in strict compliance with the contribution requirements in relation to some of our employees. For details of the non-compliance incidents and the remedial measures taken, see the section headed “Business — Legal Proceedings and Compliance — Non-compliance Incidents”. 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.

Unauthorized use of our intellectual property may adversely affect our business and reputation.

We regard our proprietary domain names, copyrights, trademarks, trade secrets and other intellectual property critical to our business operations. We rely on trade secrets related laws and regulations in the PRC for protection if third parties infringe on our unregistered intellectual property. In relation to our in-house developed online game products, we register software in the PRC for copyright protection and take various measures to protect our source codes, including confidentiality agreements and segregation of source codes. We may have difficulty protecting the intellectual property related to our game products. Any failure to register trademarks or patents in any country or region may limit our ability to protect our rights in such country or region under relevant trademark or patent laws, and we may even need to change the name or the relevant trademark in certain cases, which may adversely affect our branding and marketing efforts. In addition, as many of our games, such as Mahjong and Fight the Landlord (鬥地主), are based on classic games with rich offline tradition, we do not have effective ways to prevent other game developers to use the underlying game rules in their games, which may have the same or similar names to our games. As these games have contributed a significant aggregate portion of our revenues in the past, the existence of games developed by other companies with similar names and game rules may confuse our players, erode our player base and materially affect our business and results of operations.

In order to protect our technology and know-how, we rely on confidentiality provisions in relevant agreements with our employees, service providers and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties. The validity, enforceability and scope of protection of intellectual property in Internet-related industries are uncertain and still evolving. In particular, the laws and enforcement procedures in the PRC and certain other countries where our game products are

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accessible to local players are immature or do not protect intellectual property rights to the same extent as do the laws and enforcement procedures of the more developed countries. Policing unauthorized use of proprietary technology is difficult and expensive. Any steps we have taken to prevent the misappropriation of our proprietary technology may be inadequate. Despite our efforts to protect our intellectual property, other online game developers and operators may copy our ideas and designs, and other third parties may infringe on our intellectual property rights. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as have a material and adverse effect on our financial condition and results of operations.

We cannot be certain that our business operations do not or will not infringe on any patents, valid copyrights or other intellectual property rights held by third parties.

We may in the future be subject to legal proceedings and claims from time to time relating to the infringement of intellectual property of others in the ordinary course of our business. If we are found to have infringed the intellectual property rights of others, we may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses in defending against these third party infringement claims, regardless of their merits. Furthermore, our employees may install and use software which may violate the intellectual property rights of others. We may be liable for such behavior of our employees. Successful infringement or licensing claims against us may result in substantial monetary liabilities, which may materially disrupt the continuity of our business and the stability of our financial situation.

Our lack of insurance could expose us to significant costs and business disruption.

The insurance industry in the PRC is still at an early stage of development. In particular, PRC insurance companies offer limited business insurance products. We do not have any business liability or disruption insurance to cover our operations in the PRC, which is in line with customary industry practice in the PRC. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. In addition, we do not maintain any insurance policies covering risks including loss and theft of and damages to our equipment or facilities other than for our motor vehicles. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could result in substantial costs and diversion of resources for us and could adversely affect our financial condition and results of operations.

PRC laws regulating the playing time and players' age of online games may adversely affect our business and operations.

In 2007, several governmental authorities, including the GAPP, the Ministry of Education and the MIIT, jointly issued a notice requiring all Chinese online game operators to adopt an “anti-fatigue compliance system” in an effort to curb addiction to online games by minors (“**Anti-addiction Notice**”). Under the anti-fatigue compliance system, three hours or less of continuous play is defined

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to be “healthy”, three to five hours is defined to be “fatiguing” and five hours or more is defined to be “unhealthy”. Game operators, including our Company, are required to reduce the value of game benefits for minor players by half when those players reach the “fatigue” level, and to zero when they reach the “unhealthy” level. In July 2011, these governmental authorities further issued the Notice Regarding Commencement of Authentication of Real Names for Anti-addiction System on Online Games (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》), 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). This system allows game operators to identify which players are minors. It is unclear whether these restrictions would be expanded to apply to adult players and mobile games in the future. In addition to the provisions of the foregoing notices, the GAPP does not require mobile games to be equipped with the anti-fatigue compliance system in order to be approved in practice. As such, we believe that anti-fatigue compliance system is not a compulsory requirement for mobile games, and therefore did not implement any anti-fatigue system in our mobile game products. However, we cannot assure you that the governmental authorities will not subsequently take a view contrary to our understanding. Failure to comply with the requirements under the Anti-addiction Notice may subject us to penalties, including but not limited to suspension of our operation of online game products, revocation of the licenses and approvals for our operations, rejection or suspension of our applications for approvals, licenses or filings for any new game product, or prohibition from operating any new game product. Further, more stringent government regulations that may be promulgated in the future, including stricter anti-fatigue rules, could discourage players from playing our game products, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our mobile game businesses in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Operating Entities.

We are a Cayman Islands company and our wholly-owned PRC subsidiary, Homeland PRC, is considered a foreign-invested enterprise. The PRC government prohibits foreign investment in internet cultural activities and restricts foreign investment in value-added telecommunications. See “Regulatory Overview — Regulations relating to value-added telecommunication services” and “Regulatory Overview — Regulations on online games publishing and operation”. Due to these restrictions, we conduct our operations in the PRC through our PRC Operating Entities. Although we do not have any equity interest in our PRC Operating Entities, we are able to exercise effective control over them and receive substantially all of the economic benefits of their operations through the Contractual Arrangements with our PRC Operating Entities and their shareholders. For a description of the Contractual Arrangements, see the section headed “Contractual Arrangements”.

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Our PRC Legal Advisor is of the opinion that each of the agreements underlying the Contractual Arrangements (i) taken individually and collectively, are legal and valid, (ii) do not violate the articles of association of each of Homeland PRC and Jiaxiang Interactive, and (iii) are legally binding on and enforceable on the parties of each of the agreements underlying the Contractual Arrangements in accordance with their terms and provisions under applicable PRC laws and regulations, except for the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, and (iv) each of the agreements underlying the Contractual Arrangements does not fall within any of the circumstances under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. In particular, they will not be deemed as “concealing an illegitimate purpose under the guise of legitimate acts” under Article 52 of the PRC Contract Law.

However, there can be no assurance that the PRC government authorities will not take a view in the future that is contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. The relevant PRC government authorities have broad discretion in dealing with deemed non-compliances or violations, including, without limitation:

- require the nullification of the Contractual Arrangements;
- revoke the business licenses and/or operating licenses of Homeland PRC or our PRC Operating Entities;
- require us to discontinue the business operations of Homeland PRC or our PRC Operating Entities, or place restrictions or onerous conditions on such business operations;
- restrict our right to collect revenue;
- shut down all or part of our websites, applications or services;
- levy fines on us and/or confiscate the proceeds generated from the operations under the Contractual Arrangements;
- impose additional conditions or requirements which we may not be able to comply with;
- require us to undergo costly and disruptive restructurings; and
- take other regulatory or enforcement actions that could be harmful to our business.

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The imposition of any of the above-mentioned consequences could result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of our PRC Operating Entities or our right to receive economic benefits from our PRC Operating Entities, we would no longer be able to consolidate the financial results of our PRC Operating Entities.

Substantial uncertainties exist with respect to the interpretation and implementation of Foreign Investment Law (2019) and how they may impact the viability of our current corporate structure, corporate governance and business operations.

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019, which aim at, upon its enactment, replacing the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law.

The Foreign Investment Law (2019) was promulgated recently and there is uncertainty regarding its ancillary regulations and implementation rules which are yet to be issued.

If any regulations or implementation rules in connection with the Foreign Investment Law (2019) (i) recognize our structure under our Contractual Arrangements as a foreign investment; and (ii) requires foreign investors to apply for access permission, which is a government permit that allows foreign investors to invest in industries or businesses restricted from foreign investment, our Contractual Arrangements may be regarded as invalid and illegal if we failed to obtain such access permission. As a result, our Group may be required to dispose of the Principal Business (as defined in the section headed "Contractual Arrangements") in the PRC and our Group would not be able to continue to conduct the Principal Business. For details of the Foreign Investment Law (2019) and the negative list and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from Jiexiang Interactive and its subsidiaries, please refer to the section headed "Contractual Arrangements — Development in the PRC Legislation on Foreign Investment."

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our PRC Operating Entities or its shareholders may fail to perform their obligations under our Contractual Arrangements.

Substantially all of our revenue and cash flow are attributed to our PRC Operating Entities. We have no equity ownership interests in our PRC Operating Entities and rely on the Contractual Arrangements with our PRC Operating Entities and their shareholders to control and operate our business in the PRC. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our PRC Operating Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our PRC Operating Entities, which, in turn, could effect changes, subject to any

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applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, as a legal matter, if our PRC Operating Entities or their shareholders fails to perform its, his or her respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. For example, if the shareholders of our PRC Operating Entities were to refuse to transfer their equity interests in our PRC Operating Entities to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. Also see “— We conduct our business operation in the PRC through PRC Operating Entities by way of the contractual arrangements, However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”

We may lose the ability to use and enjoy assets held by our PRC Operating Entities that are material to our business operations if our PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our PRC Operating Entities hold assets that are material to our business operations. The Contractual Arrangements with our PRC Operating Entities contain terms that specifically obligate their shareholders to ensure the valid existence of our PRC Operating Entities and that our PRC Operating Entities may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate our PRC Operating Entities, or should our PRC Operating Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business operations, which could materially adversely affect our business, financial condition and results of operations.

The shareholders of our PRC Operating Entities may have conflicts of interest with us, which may materially and adversely affect our business.

Mr. Wu, one of our Founders, an executive Director, chairman of the Board and our chief executive officer, and Mr. Guo Shunshun, an executive Director and our chief product officer, are also shareholders of Jilin Yutai, the registered shareholder of Jiexiang Interactive. Conflicts of interest between their dual roles in our Company and in our PRC Operating Entities may arise.

We cannot assure you, however, that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, these individuals may breach or cause our PRC Operating Entities to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from our PRC Operating Entities. If we cannot resolve any conflict of interest or dispute between us and such shareholders of our PRC Operating Entities should it arise, 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. These uncertainties may impede our ability to enforce the Contractual Arrangements with our PRC Operating Entities and their shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

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We conduct our business operation in the PRC through PRC Operating Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over PRC Operating Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of PRC Operating Entities, injunctive relief and/or winding up of PRC Operating Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in PRC Operating Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws do not allow the arbitral body to grant an award of transfer of assets of or equity interests in PRC Operating Entities in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by PRC Operating Entities and/or the Registered Shareholder, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over PRC Operating Entities, which could negatively affect our ability to conduct our business.

The Contractual Arrangements between Homeland PRC and our PRC Operating Entities may subject our Group to increased income tax due to the different income tax rates applicable to Homeland PRC and our PRC Operating Entities and adversely affect our results of operations.

Under the Contractual Arrangements, our PRC Operating Entities are required to pay to Homeland PRC service fees that equal to the profit before taxation of Jiexiang Interactive, including all profits attributable to Jiexiang Interactive of, and any other distributions received by Jiexiang Interactive from, any of its subsidiaries in any given year but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, expenses and tax of each of Jiexiang Interactive and its subsidiaries (as the case may be) in any given year. Homeland PRC may adjust the service fee payable by Jiexiang Interactive at its sole discretion and allow Jiexiang Interactive to retain sufficient working capital to carry out any growth plans. Such service fee payments reduce our PRC Operating Entities'

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taxable income and correspondingly increase the taxable income of Homeland PRC, which, combined with the different income tax rates applicable to our PRC Operating Entities and Homeland PRC, have affected and may continue to affect our results of operations, particularly, our income tax expenses and net profit on a consolidated basis.

If we exercise the option to acquire equity ownership and assets of our PRC Operating Entities, the ownership or asset transfer may subject us to substantial costs.

Pursuant to the Contractual Arrangements, Homeland PRC (or its designee) has the exclusive right to purchase all or any part of the equity interests in each of our PRC Operating Entities from their shareholders at the lowest price permitted by PRC law, and where PRC laws and regulations require valuation of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations. Homeland PRC (or its designee) also has the exclusive right to purchase all or any part of the assets in each of our PRC Operating Entities from their shareholders at the lowest price permitted by PRC law, and where PRC laws and regulations require valuation of the assets, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations. In the event of such transfer, the lowest price permitted by PRC law may be substantially higher than the aforesaid actual capital contributions in case of purchasing the equity interests, or the net book value of relevant assets, or the competent tax authority may require Jiexiang Interactive (as transferor of the relevant assets) to pay enterprise income tax, value-added tax and other applicable taxes with reference to the fair value of such assets instead of the price as stipulated under the Contractual Arrangements, in which case Jiexiang Interactive may be subject to a substantial amount of tax and our financial condition may be materially adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.

We conduct substantially all of our operations in the PRC. Accordingly, our business, prospects, financial condition and operating results are, to a significant degree, subject to the economic, political and legal developments of the PRC.

The PRC economy differs from other developed economies of the world in many respects, including:

- its political structure;
- the amount and degree of the PRC government involvement and control;
- growth rate and degree of development;

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- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political, social and legal conditions and policies will have any adverse effect on our current or future business, financial condition or results of operations. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in the PRC may from time to time be modified or revised. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past decades, growth has been uneven across different regions and among various economic sectors.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. In 2008 and 2009, however, in response to the global financial crisis, the PRC government has loosened such requirements. In response to the global financial crisis and economic downturn, the PRC government adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the People's Bank of China statutory deposit reserve ratio and lowering benchmark interest rates.

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Although the Chinese economy has grown significantly in the past decades, that growth may not continue and any slowdown may have a negative effect on our business. The overall Chinese economy affects our profitability, since expenditures on online entertainment products and services such as mobile games may decrease in a slowing economy. Any adverse changes in economic conditions in the PRC, in the policies of the PRC government or in the laws and regulations in the PRC, could have a material adverse effect on the overall economic growth of China and investment in the mobile game industry. Such developments could adversely affect our businesses, lead to reduction in demand for our services and adversely affect our competitive position.

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC Operating Entities. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our

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foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to Homeland PRC and/or our PRC Operating Entities.

Any funds we transfer to Homeland PRC, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, any foreign loan procured by Homeland PRC is required to be registered with the SAFE or its local branches, and Homeland PRC may not procure loans which exceed the difference between its registered capital and its total investment amount. Any medium or long term loan to be provided by us to our PRC Operating Entities must be filed with the NDRC and registered with the SAFE or its local branches. We may not complete such legal procedures on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC Operating Entities. If we fail to complete such legal procedures, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely affect Homeland PRC's liquidity and our ability to fund and expand our business.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operational Issues Concerning the Administration Improvement of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (《關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》), or SAFE Circular 142. SAFE Circular 142 regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting the usage of the converted Renminbi. SAFE Circular 142 provides that any Renminbi capital converted from registered capital in foreign currency of a foreign-invested enterprise may only be used for purposes within the business scope approved by PRC governmental authority and such Renminbi capital may not be used for equity

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investments within the PRC unless otherwise permitted by the PRC law. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of a foreign invested enterprise. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilized. As a result, we are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Global Offering within the business scope of Homeland PRC. SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from the Global Offering or any other offering of additional equity securities to Homeland PRC or invest in or acquire any other companies in the PRC. Furthermore, the SAFE promulgated SAFE Circular 59 on November 9, 2010, which tightens the regulation over settlement of net proceeds from offshore offerings. In particular, it is specifically required that any net proceeds settled from offshore offerings shall be applied in the manner described in the offering documents. The SAFE also promulgated SAFE Circular 45 in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans or repay loans between non-financial enterprises. On March 30, 2015, the SAFE issued the Circular on Performing the Administration Approach regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which took effect as of June 1, 2015 and replaced SAFE Circular 142. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi fund converted from their foreign exchange capitals for expenditures beyond their business scopes, making securities investment or other investments (except for banks' principal-secured products), issuing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. Violations of these circulars could result in severe monetary or other penalties. These SAFE circulars may significantly limit our ability to convert, transfer and use the net proceeds from this offering and any offering of additional equity securities in the PRC, which may adversely affect our business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system, in particular, those in relation to the mobile game industry, could adversely affect us.

Substantially all of our business is conducted in the PRC and is governed by PRC laws and regulations. Homeland PRC and our PRC Operating Entities are located in the PRC and subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to online game development and operation.

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However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

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

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was amended on June 22, 2009 (the “M&A Rules”). The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires that MOFCOM be notified in advance of any change-of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law (《反壟斷法》) promulgated by the Standing Committee of the National People’s Congress on August 30, 2007 and effective as of August 1, 2008 and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings effective as of 3 August 2008 (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within the PRC, or (ii) the total turnover within the PRC of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within the PRC) must be notified and cleared by MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於建立外國投資者併購境內企業安全審查制度的通知》), or Circular No. 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. In August 2011, MOFCOM promulgated the Rules on Implementation of Security Review System (《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》), or the MOFCOM Security Review Rules, to replace

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the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions 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有關事項的暫行規定》) promulgated by MOFCOM effective from March 2011 and expired by the end of August 2011, for implementing Circular No. 6. The MOFCOM Security Review Rules, which became effective on September 1, 2011, explicitly provide that MOFCOM will look into the substance and actual impact of the transaction and further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. In the future, we may grow our business by acquiring complementary businesses.

Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. 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 would as such be materially and adversely affected.

We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our worldwide income.

Under the PRC EIT Law, which came into effect on January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and their global income will generally be subject to the uniform 25% corporate income tax rate. Under the Implementation Rules for the PRC EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in the PRC. In addition, on August 3, 2011, the SAT issued Administrative Measures on Income Taxes of Resident Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Resident Enterprise Administrative Measures, which became effective as of September 1, 2011. The Resident Enterprise Administrative Measures provide clarification for resident status determination, post-determination administration, as well as competent tax authorities. However, Circular 82 and the Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in or controlled by PRC

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individuals, like our company. Currently there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining “de facto management body” for the company of our type. We do not believe we or any of our subsidiaries registered outside of China are a resident enterprise defined and regulated by the aforesaid regulation, as none of our shareholders is a PRC company or PRC corporate group. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like us. If the PRC authorities were to subsequently determine, or any future regulation provides, that we or any of our subsidiaries registered outside of China should be treated as a PRC resident enterprise, we or such subsidiaries would be subject to a 25% corporate income tax on our global income, which will significantly increase our tax burden and could materially and adversely affect our financial condition and results of operations.

Failure to obtain government grants and subsidies or preferential tax treatments that may be available to us, or the discontinuation, reduction or delay of any of the government grants or preferential tax treatments currently enjoyed by us in the future could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we received various government grants and subsidies from local government authorities, including government incentives to reward our support to the development of local economy and certain value-added tax subsidies. Such government grants and subsidies amounted to nil, RMB0.6 million and RMB3.8 million in 2016, 2017 and 2018, respectively. During the Track Record Period, we also received certain preferential tax treatment. Jiexiang Interactive qualified as a “double soft enterprise” under the PRC EIT Law in 2016 and is exempt from enterprise income tax for two years followed by a 50% reduction in the applicable tax rates for the next three years. In addition, Jilin Xinze and Jilin Yuke are entitled to a preferential income tax rate of 15% for three years from 2017 and 2018, respectively. As a result of the preferential tax treatments, we saved income tax in the amount of RMB2.9 million, RMB18.4 million and RMB21.2 million, respectively, for the three years ended December 31, 2016, 2017 and 2018. See the section headed “Financial Information — Description of Major Components of Our Results of Operations — Income Tax Expenses” for more information about the enterprise income tax rates applicable to the subsidiaries of Jiexiang Interactive.

Nevertheless, such government grants and preferential tax rates are non-recurring in nature, and the government authorities may decide to reduce or cancel such government grants or tax preferences at any time. The discontinuation, reduction or delay of these governmental grants or preferential tax treatment could adversely affect our financial condition and results of operations. In addition, we might not be able to successfully or timely obtain the government grants or preferential tax treatments that may be available to us in the future, and such failure could adversely affect our financial condition and results of operations.

Homeland HK, our Hong Kong subsidiary is subject to PRC withholding tax under the New Enterprise Income Tax Law and we may not be able to enjoy the preferential tax rate of 5%.

Under the EIT Law and its implementation regulations, China-sourced income of foreign enterprises that are “non-PRC resident enterprises” that do not have an establishment or place of business in the PRC or, despite the existence of such establishment or place in the PRC, the relevant

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income is not actually connected with such establishment or place in the PRC, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty or arrangement with China that provides a different withholding arrangement.

Under an arrangement between China and the Hong Kong Special Administrative Region, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity is a “beneficial owner” and such entity directly owns at least 25% of the equity interest of the PRC company. The Notice of the State Administration of Taxation on How to Comprehend and Determine the “Beneficial Owners” in Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知》), effective from October 27, 2009, provides certain conditions under which a company cannot be defined as a “beneficial owner” under the treaty, and further provides that an agent or “conduit company” (defined as a company usually established for purposes of evading or reducing taxes, and transferring or accumulating profits, and registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a “beneficial owner”. If the PRC tax authorities determine that our Hong Kong subsidiary is a “conduit company”, we may not be able to enjoy a preferential withholding tax rate of 5%.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law and the EIT Rules, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (i.e., those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If the dividends we pay to our shareholders are regarded as income derived from sources within the PRC, we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares. In addition, our non-PRC shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

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It may be difficult to effect service of process upon us or our Directors or executive officers who reside in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts.

All of our executive Directors and executive officers reside within the PRC, and substantially all of our assets are located within the PRC. Therefore, it may be difficult for investors to effect service of process upon us or our executive Directors and officers inside China or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-resident Enterprise Equity Transfer (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**SAT Circular 698**”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**SAT Public Notice 7**”). SAT Public Notice 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698. SAT Public Notice 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Public Notice 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding

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company. In addition, SAT Public Notice 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

On October 17, 2017, SAT issued a Public Notice of SAT on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公 告》) (the “**SAT Public Notice 37**”), which, among others, repeals the Circular 698 on December 1, 2017. SAT Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under Circular 698. And certain rules stipulated in SAT Public Notice 7 are replaced by SAT Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

There are uncertainties as to the application of SAT Public Notice 7 and SAT Public Notice 37. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Public Notice 7 and SAT Public Notice 37 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at risk of being taxed under SAT Public Notice 7 and SAT Public Notice 37 and may be required to expend valuable resources to comply with SAT Public Notice 7 and SAT Public Notice 37 or to establish that we should not be taxed under SAT Public Notice 7 and

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SAT Public Notice 37, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us. We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC Operating Entities' abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC Operating Entities.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment, Financing and Roundtrip Investment Through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 37"), to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 75"), which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities.

To our best knowledge, all our shareholders who are subject to the regulations have registered with the SAFE their respective investment in us. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE Circular 37 or other related rules. Any future failure by any of our shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC Operating Entities' abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC Operating Entities.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price is the result of negotiations between us and the Sole Global Coordinator (on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded

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following completion of the Global Offering. In addition, there can be no guarantee that an active trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering or that the market price of our Shares will not decline below the Offer Price.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, mainland China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. The stock prices of a number of PRC-based companies recently listed in Hong Kong experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in the unaudited pro forma adjusted consolidated net tangible book value to HK\$0.59 per Share, based on the Offer Price of HK\$1.60 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus). If we issue additional Shares in the future, including but not limited to the issue of additional Shares under the Post-IPO Share Option Scheme, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

Issuance of new Shares under the Share Award Scheme will result in dilution to your shareholding in our Company and dilution of the earnings per Share and the granting of award shares under the Share Award Scheme or other equity incentive awards will require us to recognize share-based compensation expenses.

We adopted our Share Award Scheme on June 6, 2019. As at the Latest Practicable Date, a total of 79,276,000 new Shares were issued and allotted under the Share Award Scheme. According to the vesting schedule, awards representing 74,566,000 Shares and 4,710,000 Shares shall be vested in 2019

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and 2020, respectively. Issuance of new Shares under the Share Award Scheme will cause dilution to your shareholding in our Company and dilution to the earnings per Share and may cause dilution to the net asset per Share. In addition, we are required to recognize share-based compensation as expenses. If we grant additional award shares or other equity incentive awards in the future, we could incur significant compensation charges and our profit for the year/period and earnings per Share may be adversely affected. See “D. Share Incentive Schemes — 2. Share Award Scheme” in Appendix IV to this prospectus for more information of our Share Award Scheme.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares by our existing shareholders, or the possibility of such sales, could negatively impact the market price 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. The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of our Controlling Shareholders to dispose of significant amounts of their Shares after the completion of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

Certain statistics contained in this prospectus are derived from a third party report which are not independently verified by us. There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources contained in this prospectus.

This prospectus, particularly the section headed “Industry Overview”, contains information and statistics, including but not limited to information and statistics relating to the mobile game market in the PRC. Such information and statistics have been derived from various government publications, market data providers and other independent third-party sources, including a third-party report commissioned by us. The sources of such information are conventional 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 in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, we cannot guarantee the accuracy and completeness of such information. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy of such facts and statistics. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Therefore, you should not place undue reliance on such information as a basis for making your investment in our Shares.

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You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

There may be, subsequent to the publication of this prospectus but prior to completion of the Global Offering, press and media coverage regarding us, our business, our industry and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other forward-looking information. None of us or any other person involved in the Global Offering has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information. By applying for our Shares in the Global Offering, you will be deemed to have agreed that you have not relied on any information other than that contained in this prospectus and the Application Forms.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

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

The headquarters of our Group is located in the PRC. Since substantially all of the business operations and management functions of our Group are carried out in the PRC, there is no business need to appoint executive Directors based in Hong Kong. As none of our executive Directors or senior management currently resides in Hong Kong, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular communication between the Stock Exchange and us:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, namely Mr. Su Bo (蘇波), the Chief Investment Officer of our Group and an executive Director and Ms. Leung Suet Lun (梁雪綸), a joint company secretary of our Company, to act as the principal channel of communication between the Stock Exchange and our Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorized representatives has access to all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. Our Company will implement a policy whereby:
 - i. each Director will provide his or her mobile phone number, office phone number, email address and facsimile number to the authorized representatives;
 - ii. each Director will provide his or her phone numbers or means of communication to the authorized representatives when he or she is travelling; and
 - iii. each Director will provide his or her mobile phone number, office phone number, email address and facsimile number to the Stock Exchange;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

- (c) in compliance with Rule 3A.19 of the Listing Rules, our Company has retained China Everbright Capital Limited as our compliance adviser who will act as an additional channel of communication with the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes its financial results for the first full financial year commencing after the Listing Date pursuant to Rule 13.46 of the Listing Rules;
- (d) any meetings between the Stock Exchange and the Directors may be arranged through the authorized representatives within a reasonable time frame;
- (e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives; and
- (f) our Directors who are not ordinarily resident in Hong Kong possess or will apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange within a reasonable period of time upon request.

WAIVER IN RELATION TO OUR JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of our Company must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Exchange, capable of discharging the functions of a company secretary.

We have appointed Mr. Gao Junfeng (高峻峰) as one of our joint company secretaries. Mr. Gao joined our Group in January 2018 and is currently the Chief Financial Officer of our Group and is responsible for overseeing the financial and accounting matters of our Group. Mr. Gao has over 20 years of accounting and finance experience. Prior to joining our Group, he held senior positions in accounting and finance in China-based public companies. From July 2004 to October 2007, Mr. Gao served as a senior manager of the Internal Control and Risk Management Department at the Beijing office of PricewaterhouseCoopers. From July 2008 to February 2010, he was the Director of Finance of ATA Inc., a company listed on the NASDAQ Stock Market (NASDAQ: ATAI), and from March 2010 to November 2012, the chief financial officer of Xueda Education Group, a company formerly listed on the New York Stock Exchange (NYSE: XUE) which has been privatized and delisted in 2016. From October 2013 to June 2015, Mr. Gao was an executive director and the chief financial officer of Boyaa Interactive International Limited, a company listed on the Stock Exchange (stock code: 434). Mr. Gao received his bachelor's degree in accounting from the Shanghai University of Finance and Economy (上海財經大學) in the PRC in July 1996. Mr. Gao is a member of the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). However, Mr. Gao does not possess the qualification as stipulated in Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules. As a result, our Company has appointed and engaged Ms. Leung Suet Lun (梁雪綸), who is a member of the Hong Kong Institute of Certified Public Accountants and a solicitor in Hong Kong and thus meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary of our Company and to provide assistance to Mr. Gao for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

Ms. Leung will work closely with Mr. Gao to jointly discharge the duties and responsibilities as joint company secretaries with reference to their past experience and education background and Ms. Leung will assist Mr. Gao to acquire the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. In addition, we will ensure Mr. Gao has access to relevant training and support to familiarize himself with the Listing Rules and other relevant rules and regulations in Hong Kong. Further, Mr. Gao undertakes to take no less than 15 hours of relevant training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the condition that Ms. Leung is engaged as a joint company secretary and provides assistance to Mr. Gao during this period. If Ms. Leung ceases to render assistance to Mr. Gao during this period, the waiver will be immediately revoked. It is intended that before the expiry of the initial period of three years, a further evaluation of the qualification and experience of Mr. Gao and the need for on-going assistance would be made. The expectation is that our Company and Mr. Gao would then endeavor to demonstrate to the Stock Exchange's satisfaction that Mr. Gao having had the benefit of Ms. Leung's assistance, would then have acquired the "relevant experience" within the meaning of Rule 3.28 of the Listing Rules such that a further waiver may not be required.

For further details of the biographies of Mr. Gao and Ms. Leung, see the section headed "Directors and Senior Management".

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the section headed "Continuing Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters), on or before Tuesday, June 25, 2019, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangement, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedures for applying for Hong Kong Public Offer Shares are set forth in the section headed in “How to Apply for the Hong Kong Public Offer Shares” in this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed “Structure of the Global Offering” in this prospectus. Assuming that the Over-allotment Option is exercised in full, the Over-allotment Option Grantor may be required to sell up to an aggregate of 19,468,000 Shares.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme).

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, July 4, 2019. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 3798.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Over-allotment Option Grantor, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Dealings in our Shares registered in our Hong Kong register will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty of 0.1% on the higher of the consideration for, or the market value of, the Shares is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

The Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rate: RMB0.8793: HK\$1.00.

No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Wu Chengze (吳承澤)	Group 1, Street Committee Shuangyingzihuizu Town Shuangyang District Changchun City Jilin Province PRC	Chinese
Jiang Mingkuan (蔣明寬)	G2-404, Weifeng East Nangan District Changchun City Jilin Province PRC	Chinese
Su Bo (蘇波)	D2-802, Zhonghai Laiyin East County Caizhi Street Changchun City Jilin Province PRC	Chinese
Guo Shunshun (郭順順)	Room 1802, Building 8 China Railway Construction Haixi 199 Xiabao Road Siming District Xiamen City Fujian Province PRC	Chinese
Men Geng (門耕)	Room 2505, Building 5 Tianju Garden Olympic Media Village Chaoyang District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Independent Non-Executive Directors		
Yu Ronald Patrick Lup Man (余立文)	Flat B, 11/F, Block 1 Flora Garden 7 Chun Fai Road Hong Kong	Chinese
Zhang Yuguo (張玉國)	No. 15 Chaoda Jiayuan 333 Guigu Avenue Chaoyang District Changchun City Jilin Province PRC	Chinese
Hu Yangyang (胡洋洋)	Room 503, Building 21 23 Lanlin Road Pudong New District Shanghai PRC	Chinese

Further information about the Directors and other senior management members are set out in “Directors and Senior Management”.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China Everbright Capital Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Sole Global Coordinator	SBI China Capital Financial Services Limited Unit A2, 32/F United Centre 95 Queensway Hong Kong
Joint Bookrunners	SBI China Capital Financial Services Limited Unit A2, 32/F United Centre 95 Queensway Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	China Galaxy International Securities (Hong Kong) Co., Limited 20th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Joint Lead Managers	SBI China Capital Financial Services Limited Unit A2, 32/F United Centre 95 Queensway Hong Kong
	China Galaxy International Securities (Hong Kong) Co., Limited 20th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
	I Win Securities Limited Room 1916, Hong Kong Plaza 188 Connaught Road West Sai Wan Hong Kong
Co-Lead Manager	Grand Moore Capital Limited Unit 1607, 16/F Silvercord Tower 1 30 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Legal Advisers to our Company	<i>As to Hong Kong laws:</i> Simpson Thacher & Bartlett 35/F, ICBC Tower 3 Garden Road Central Hong Kong
	<i>As to PRC laws:</i> Han Kun Law Offices Room 03-04, 21/F, Kerry Plaza Tower 3 1-1 Zhongxinsi Road Futian District Shenzhen, Guangdong PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands laws:</i> Maples and Calder (Hong Kong) LLP 53rd Floor, The Center 99 Queen's Road Central Hong Kong</p>
Legal Advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong laws:</i> King & Wood Mallesons 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong</p>
	<p><i>As to PRC laws:</i> Commerce & Finance Law Offices 6F, NCI Tower A12 Jianguomenwai Avenue Beijing 100022 PRC</p>
Auditor and Reporting Accountant	<p>Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F One Pacific Place 88 Queensway Hong Kong</p>
Industry Consultant	<p>Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. 1018, Tower B 500 Yunjin Road Shanghai, 200232 China</p>
Receiving Bank	<p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>

CORPORATE INFORMATION

Registered Office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters	7A Floor, Huijin Building 77 Tainan Road Siming District Xiamen PRC
Principal Place of Business in Hong Kong	31/F., Tower Two, Times Square 1 Matheson Street Hong Kong
Company's Website	http://www.jiaxianghudong.com/ (<i>The information on the website does not form part of this prospectus</i>)
Joint Company Secretaries	LEUNG Suet Lun (梁雪綸) (HKICPA) GAO Junfeng (高峻峰) (ACCA)
Authorized Representatives	SU Bo (蘇波) 7A Floor, Huijing Building 77 Tainan Road Siming District Xiamen PRC LEUNG Suet Lun (梁雪綸) 31/F., Tower Two, Times Square 1 Matheson Street Hong Kong
Audit Committee	YU Ronald Patrick Lup Man (余立文) (<i>Chairman</i>) ZHANG Yuguo (張玉國) HU Yangyang (胡洋洋)
Remuneration Committee	YU Ronald Patrick Lup Man (余立文) (<i>Chairman</i>) ZHANG Yuguo (張玉國) HU Yangyang (胡洋洋)
Nomination Committee	WU Chengze (吳承澤) (<i>Chairman</i>) YU Ronald Patrick Lup Man (余立文) HU Yangyang (胡洋洋)

CORPORATE INFORMATION

**Cayman Islands Principal Share
Registrar and Transfer Office**

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Adviser

China Everbright Capital Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Principal Banks

Bank of China, Xiamen Taiwan Road Branch
1st Floor, East
75-77 Lvling Road
Huli District
Xiamen City
PRC

Bank of China, Changchun Weifeng International Branch
2256 Renmin Avenue
Nanguan District
Changchun City
PRC

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by the Company. The Company believes that the information has been derived from appropriate sources and has taken reasonable care in extracting and reproducing the information. The Company has no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by the Company or any of its respective directors, officers or representatives or any other party (excluding Frost & Sullivan) involved in this circular nor is any representation given as to its accuracy or completeness.

SOURCE OF INFORMATION

The Company has commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the China's online game market, China's mobile game market, China's online card and board game market, and China's online localised card and board game market. The report prepared by Frost & Sullivan for the Company is referred to in this prospectus as the F&S Report. The Company paid Frost & Sullivan a fee of RMB610,000 which the Company believes reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

The F&S Report includes information on China's online game market, China's mobile game market, China's online card and board game market, and China's online localised card and board game market as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the target market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report, various official government publications and other publications.

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) China's economy is likely to maintain a steady growth in the next decade; and (ii) China's social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the China's online card and board game market and China's online localised card and board game market.

INDUSTRY OVERVIEW

After making reasonable enquiries, our Directors confirm that there is no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this Industry Overview section.

1. MARKET OVERVIEW OF CHINA'S ONLINE GAME INDUSTRY

1.1 Introduction of China's Online Game Industry

Since China was connected to the Internet in 1994, online games have been increasingly popular in China. In terms of game contents, online games can be categorized into card and board games, simulation games, strategy games, action games, roles play games, brain games, block games and casual games. In terms of terminals, online games can be classified into mobile games, browser games, client-based games and console games.

Compared with foreign markets, China started late on online game industry in mid 1990s. Initially, Multi-User Domain (MUD) game, which is usually text-based in the early stage, was the mainstream of online games in China. Since 1999, local companies, such as Shanda and NetEase, started to distribute Korean online games into China and Korean online games have dominated the market in the following years. From 2005, several Chinese game companies launched their own online games in China and surpassed foreign games in domestic market. In 2007, browser game gradually became popular in China because of their social attributes. After that, smartphones started to replace traditional feature phones and mobile games gradually became trendy among Chinese players. In 2017, mobile game market overtook client-based game market as the biggest segment of online game industry in China. Online card and board game such as Doudizhu (鬥地主) have been popular since 1998 and localised online card and board game took off in early 2000s and surged in tier 3 and tier 4 cities in past few years.

1.2 Value Chain of China's Online Game Industry

China's online game industry value chain involves four parties: developers, operators, distribution channels and customers. Game developers are in charge of the design and production of online games, while game operators have to purchase exclusive agency from game developers and are mainly responsible for game promotion, customer service and daily maintenance. Some companies like Tencent and Jiexiang are game developers and operators at the same time. Distribution channels are websites or applications where customers can buy and download online games. In China, for example, Apple Store and WeChat are two major game distribution channels.

INDUSTRY OVERVIEW

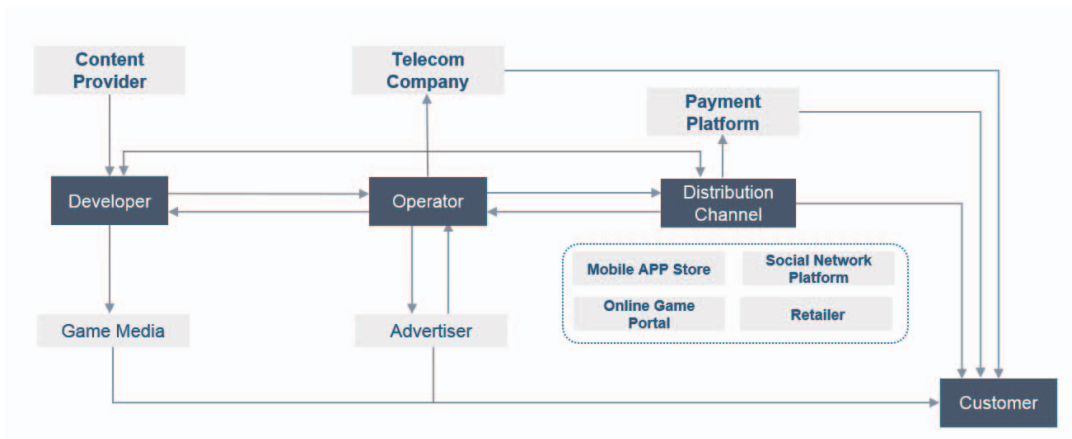


Fig 1. The Value Chain of China's Online Game Industry

Source: Frost & Sullivan

1.3 Market Size of China's Online Game Industry

The online game industry enjoys high popularity in China and has been expanding rapidly from 2014 to 2018. The market size of China's online game industry reached RMB227.6 billion in 2018, resulting from a growing number of online game users and prevalence of smartphones and 4G network. In 2018, the development of online game industry slowed down. One of the most important reasons was that the State Administration of Press and Publication (SAPPRFT, 中華人民共和國國家新聞出版廣電總局) suspended the granting of pre-approval of domestic online games since April 2018, leading to the situation that many game companies cannot release new games. However, with the suspension of the pre-approval of domestic online games lifted, the market is projected to continue to grow prosperously. The online game industry is projected to further expand to RMB666.8 billion by 2023, with a CAGR of 25.0% between 2019 and 2023.

Market Size of China's Online Game, 2014-2023E

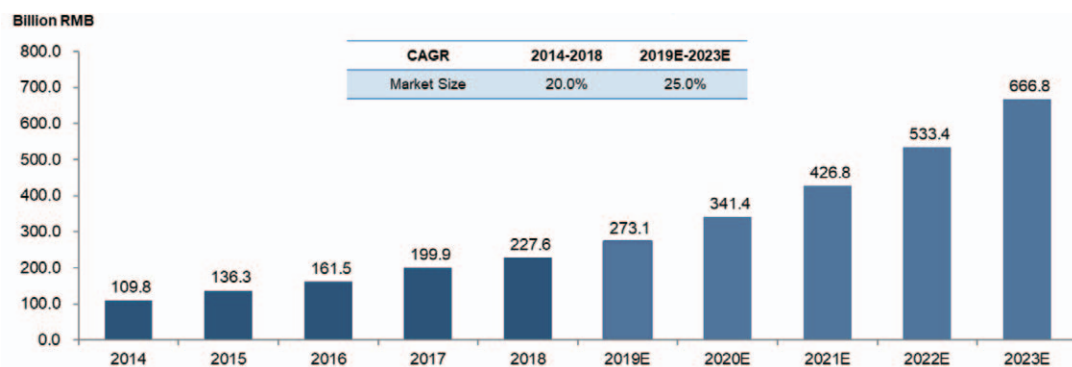


Fig 2. The Market Size of China's Online Game Industry

Source: Frost & Sullivan

INDUSTRY OVERVIEW

1.4 Market Drivers of China's Online Game Industry

Increasing Internet Penetration

Internet penetration rate increased from 47.9% in 2014 to 59.6% in 2018, meanwhile it is expected that the Internet penetration will sustain growth and reach 72.0% in 2023. With more people connected to the Internet, there will be more potential users of online game market, which will benefit the development of online game market in China in the future.

Increasing Disposable Income of Urban and Rural Households

Driven by the continuous growth of macro economy, the disposable income of urban and rural households also increased in recent years. The disposable income of urban and rural households has reached about RMB39.3 thousand and RMB14.6 thousand in 2018 respectively, and it is expected to keep the momentum of rapid growth in the future. Therefore, with increasing disposable income, more game players in both urban and rural areas are willing to pay for virtual products of the online games.

Widespread of Smart Devices

Owing to explosive development of IT and manufacture technology in the past decade, the smart devices' update is accelerating, so do the game devices. Along with the development of smart devices, online game players gradually shifted from PC to mobile game devices. Benefiting from devices' update, online game developers and publishers could release new games with more functions and better visual quality, which also push the development of the industry.

1.5 Market Trends of China's Online Game Industry

Consistent Product Innovation and Quality Improvement

Due to intense competition, game developers are improving the quality of their games consistently. Meanwhile, the innovation in game model and plot is also a primary concern for the game developers. In terms of research and development of online games, higher quality means longer development cycle and higher labour cost. In the future, research and development cost of online games tends to be higher.

Mobilization of Online Games

The most significant trend of China's online game market is mobilization. In general, the market sizes of client-based game and browser game have seen decrease for three consecutive years from 2015 to 2017. On the contrary, mobile games grew rapidly at a CAGR of 52.3% from 2014 to 2018. In the future, mobile games will gain more market share because players prefer mobile games owing to its convenience and better experience.

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Integration with Other Pan-entertainment Industries

In the future, the game industry will get increasingly integrated with other pan-entertainment contents such as comics, live streaming and movies. For example, game video live streaming is currently one of the most popular live streaming contents in China. Looking forward, online games will be more integrated with contents like live streaming with the help of VR/AR technology.

More Standardized Market

From April 2018, SAPPRFT suspended all game approval because of its internal organization reform. In October 2018, the General Office of the State Council promulgated the Implementation Scheme of Improvement and Promotion of Consumption Mechanism (2018-2020) (《完善促進消費體制機制實施方案(2018-2020年)》) (the “Scheme”), which explicitly vows to encourage the development of online game industry. The promulgation of the Scheme indicates the relevant rules are expected to be promulgated. Based on the information released on the website of the SAPPRFT, 164 domestic online games have obtained pre-approval in December 2018 and another 283, 279, 233 and 40 domestic online games have obtained pre-approval in January, February, March and April 2019, respectively, which indicates that the suspension of the pre-approval of domestic online games has been lifted.

1.6 Entry Barriers of China’s Online Game Industry

Capital Barrier

In online game industry, there is high capital investment in the development, promotion and operation of an online game. At the development stage, a game company needs to hire many technical staff and incur high labour cost. At the promotion and operation stage, a game company needs to invest heavily in advertising and other marketing activities in order to acquire users.

Policy Barrier

In China, online game industry is strictly managed by the government. Game companies must get permissions from Ministry of Culture, Ministry of Industry and Information Technology, State Administration of Press, Publication, Radio, Film and Television (SAPPRFT) and other related government department before they publish an online game, which is a strong policy barrier in China.

2. MARKET OVERVIEW OF CHINA’S MOBILE GAME INDUSTRY

2.1 Introduction of China’s Mobile Game Industry

Mobile games refer to games designed for mobile devices, such as smartphones, pocket PCs, personal digital assistants (PDA), tablet PCs and portable media players etc. Mobile games range from basic games to sophisticated games (for example, 3D and augmented reality games). Mobile games can be categorized into six main groups: action games, adventure games, card games, role-playing games (RPG), sports games and strategy games.

INDUSTRY OVERVIEW

2.2 Value Chain of China's Mobile Game Industry

China's mobile game industry value chain is similar to the global mobile game industry, which involves the same parties to produce, operate and distribute mobile games respectively. The value chain of mobile game industry in China consists of four stages including R&D, publishing, distribution and marketing. The six parties that make up this chain are: content originators, game developers, game publishers, game distributors, players and the third-party payment platforms such as Alipay. Meanwhile, various game platforms and game communities are included in the industry, which is a virtual community for players to communicate and discuss mobile games. Normally, mobile game operators in the China's mobile game industry engage third party agencies to conduct offline marketing and promotion.

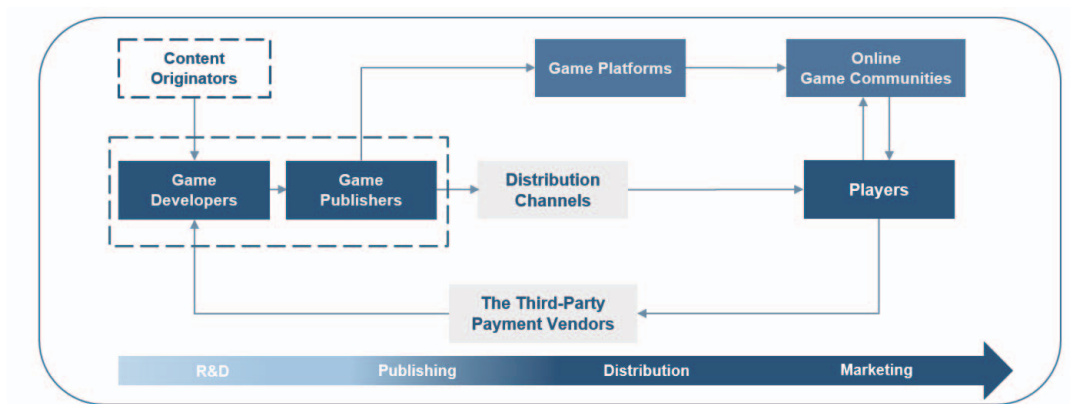


Fig 3. The Value Chain of China's Mobile Game Industry

Source: Frost & Sullivan

2.3 Market Size of China's Mobile Game Industry

Accompanied with the rapid growth of China's online game industry in the past years, the market size of China's mobile game industry increased from RMB30.2 billion in 2014 to RMB162.5 billion in 2018, indicating a CAGR of 52.3% between 2014 and 2018.

Given the growing penetration of smartphones and popularity of mobile games, the market size of China's mobile game industry is expected to reach RMB577.9 billion in 2023, indicating a CAGR of 31.2% between 2019 and 2023 based on Frost & Sullivan's analysis.

INDUSTRY OVERVIEW

Market Size of Mobile Game Industry (China), 2014-2023E

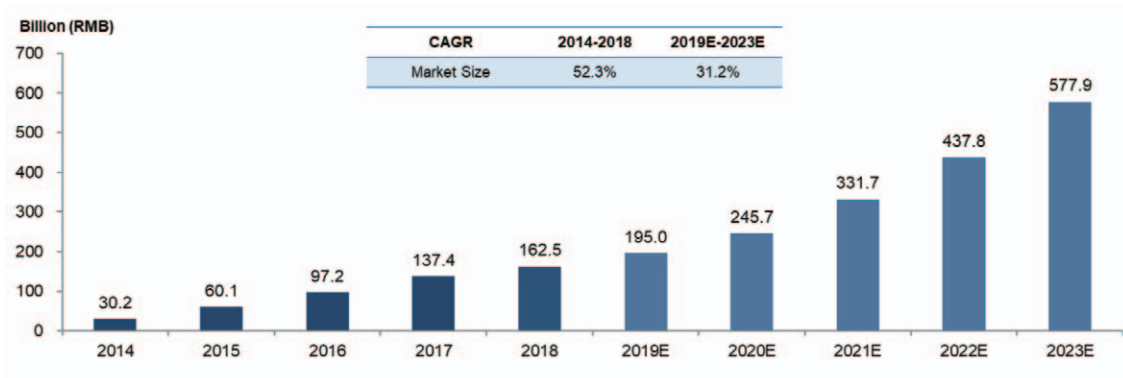


Fig 4. The Market Size of China's Mobile Game Industry

Source: Frost & Sullivan

2.4 The Number of Mobile Game Players in China

Due to the rapid growth of China's mobile game industry in the past years, the number of mobile game players in China increased from 410.0 million in 2014 to 606.0 million in 2018, indicating a CAGR of 10.3% between 2014 and 2018.

As the popularity of mobile game culture continues to grow, the player base of mobile games in China is expected to reach 845.3 million in 2023, indicating a CAGR of 7.3% between 2019 and 2023 based on Frost & Sullivan's analysis.

The Number of Mobile Game Players (China), 2014-2023E

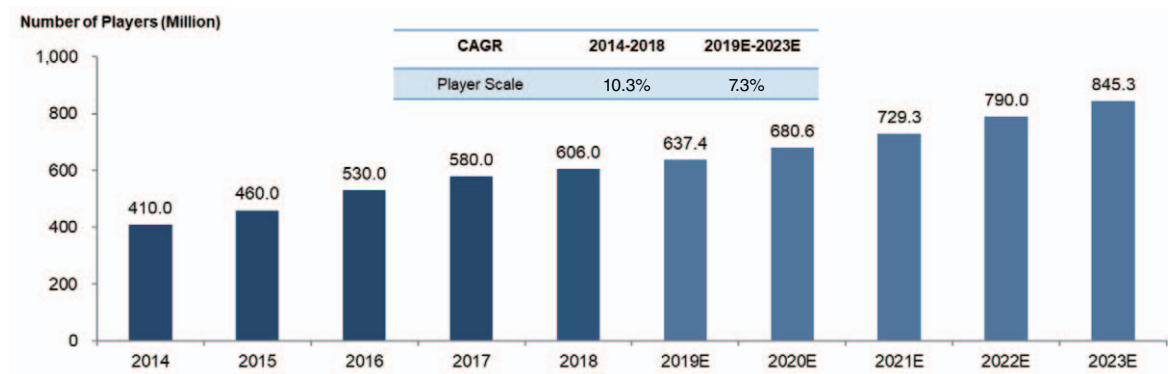


Fig 5. The Number of Mobile Game Players in China

Source: Frost & Sullivan

INDUSTRY OVERVIEW

2.5 The Impact of Recent Regulatory Development on the PRC Independent Mobile Game Market

The Implementation Programme on Comprehensive Prevention and Control of Adolescent Myopia (the “Implementation Programme”) was jointly issued by the eight regulatory authorities on August 30, 2018. It outlined the National Administration of Press and Publication’s responsibilities to restrict the time children spent on playing online games, control the number of new online games published and the total number of online games, as well as explore the appropriate age limit reminder system in line with national conditions. If the Implementation Programme were promulgated to laws or regulations, it is expected to impact the online game market in the ways listed below:

Standardize the Online Card and Board Game Market

The overall number of mobile game approvals granted would likely be regulated according to Frost & Sullivan. Among different types of mobile games, card and board games are likely to be more affected as they represent (i) 51.1% of total mobile game approvals granted by SAPPRFT in 2018, respectively; and (ii) more than half of the ongoing /SAPPRFT mobile game approval applications.

The Implementation Programme proposed that the time spent on playing online games by children and adolescent should be restricted for eyesight protection. Therefore, the time that children and adolescent players spend on online card and board games is expected to decrease, standardizing and regulating the online card and board game market which helps to create healthy gaming environment for children and adolescent.

Less Bargaining Power for Independent Mobile Game Operators without An Online Publishing Service License (網絡出版服務許可證)

An online game must be published by and the application for such publication must be made by a market player with a publishing license (“publisher”), therefore a game operator which intends to launch an online game should either apply for and obtain an Online Publishing Service License, or engage a publisher to handle the relevant application and publishing procedures. Market leading players, which already hold the Online Publishing Service License, therefore are qualified to apply for publication of online game directly and have more control over the application process. Should the number of new online games be regulated, market players without Online Publishing Service Licenses would need to increasingly rely on publishers with such license in the market.

Further Consolidation of The PRC Independent Mobile Game Market

In general, stricter regulations are likely to post more compliance burdens on smaller mobile game publishers as they tend to have less resources for handling compliance matters. Coupled with less financial resources and lower game quality, smaller market players are expected to face increasing pressure. According to Frost & Sullivan, this creates opportunities for leading market players to gain more market share while smaller market players are likely to fail to meet stringent regulations and lack capabilities in creating and launching innovative and high quality products.

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2.6 Market Drivers of China's Mobile Game Industry

Increasing Smartphone Penetration

Due to the popularity of smartphones and the development of network infrastructure (for example, 4G and WIFI), the number of mobile Internet users in China largely increased in past few years and these have become important drivers to the growth of mobile game industry in China.

Popularity of Game Culture

Game related culture prevails in China in recent years. As more people are becoming mobile games players, the topics and live streaming about mobile games are surging on the Internet. For example, games like Arena of Valor and Player Unknown's Battlegrounds have become hot topics online because these games require cooperation between friends. Meanwhile, offline game activities, such as China Joy, also became important affairs among young people in China.

2.7 Market Trends of China's Mobile Game Industry

Expanding Mobile Game Player Base

As the entertainment industry continuously grows in China, an increasing number of young people are adopting online games (especially mobile games) as their major leisure activities. The player base of mobile games in China is expected to reach 845.3 million in 2023, indicating a CAGR of 7.3% between 2019 and 2023. The expansion of player base will drive the growth of China's mobile game industry.

Virtual Reality Games

Virtual reality games will be more appealing for Chinese game players, because virtual reality games can offer better game experience and Chinese game players are very willing to adopt new technologies in online game industry. This change also applies to mobile game industry in China.

2.8 Entry Barriers of China's Mobile Game Industry

Brand Awareness Barrier

Chinese game players have a high brand awareness when choosing the games. They usually prefer to play games developed by famous developers which are of better quality and popularity. From developer's prospective, developers who have already a high brand awareness among players are easier to attract new users benefiting from their accumulative user base, thus forming an entry barrier for the new entrants.

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Online Traffic Attraction Barrier

At present, online traffic in China is mainly dominated by industry giants such as Tencent, Alibaba, NetEase and Baidu. In mobile game industry, online traffic is also controlled by industry giants like Tencent and NetEase, which makes it very difficult for new entrants to gain enough online traffic to reach potential players. Small and newly-established companies have to set aside high budget to buy online traffic from industry giants, thus forming an entry barrier.

3. MARKET OVERVIEW OF CHINA'S ONLINE CARD AND BOARD GAME INDUSTRY

3.1 Introduction of Online Card and Board Games in China

Online card and board game refer to card and board games being played online. Card and board games are games played by at least two parties according to a set of rules. Some games are based on pure strategy, and many contain an element of chance, while some games purely rely on luck and requires no skills. Online card and board game products have a long-life cycle. Specifically, the average life cycle of Mahjong, poker and casual game products are 587 days, 498 days and 302 days, respectively. According to different game rules, the number of players etc., online card and board games can be categorized into national and localised online card and board games.

There are two types of online card and board games: national online card and board games and localised card and board games. National online card and board games refer to online card and board games which are played following unified rules nationally. This kind of games usually have larger player base and wider coverage. Doudizhu(鬥地主) is a typical national online card and board game. Localised online card and board games have unique local rules, they are mainly card games and Mahjong games. For single localised online card and board games, the player base is smaller than national card and board game. But the number of localised variations of online card and board game is big and the total player scale is still huge, reaching 0.18 billion in 2018.

3.2 The Number of Online Card and Board Game Users in China

With the upgrade of the mobile phone, card and board game companies develop online card and board games on mobile phone. Users can play the games at any time and place. The number of online card and board game users increased from 246.5 million in 2014 to 431.9 million in 2018, representing a CAGR of 15.1%.

Due to the more extensive range of online card and board games, the number of card and board game users is expected to grow from 454.9 million in 2019 to 639.2 million in 2023.

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The Number of Online Card and Board Game Users in China, 2014-2023E

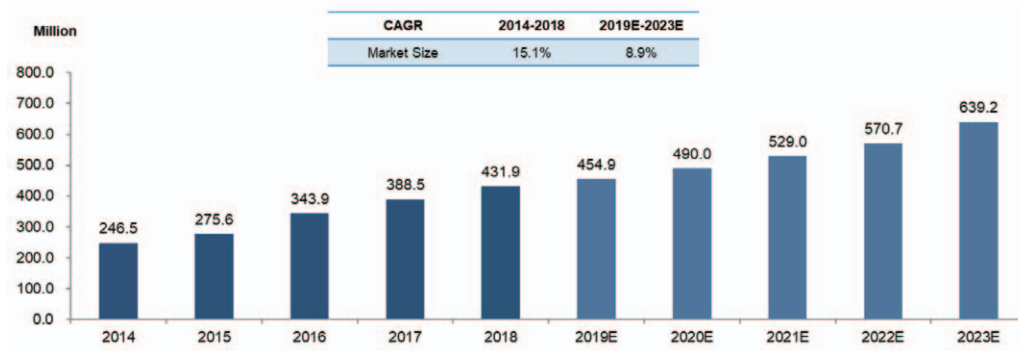


Fig 6. The Number of Online Card and Board Game Users in China

Source: Frost & Sullivan

3.3 The Number of Mobile Mahjong and Poker Game Users in China

The number of mobile Mahjong and poker game users increased from 189.0 million in 2014 to 270.8 million in 2018. This is mainly due to the growing number of mobile users and higher interactive game environment. Game developers provide voice function for users, including real-time voice, voice messaging, voice recognition, which enables users to exchange ideas and experience of games. The number of mobile Mahjong and poker game users is expected to grow from 287.0 million in 2019 to 368.9 million in 2023.

The types of mobile Mahjong and poker game users can be divided into three categories: users who only play national Mahjong and poker games, users who only play localised Mahjong and poker games and users who play both types of games. Driven by prolonged history of localised card and board game and the introduction of room card model in 2016, pure localised game users and users who play both types of games increased from 27.2 million and 40.8 million in 2014 to 64.6 million and 106.4 million in 2018 respectively. The number of pure national Mahjong and poker game users decreased from 121.0 million in 2014 to 99.8 million in 2018, at a CAGR of -4.7%. It is expected that pure localised game users and users who play both types of game continue to increase, reaching 98.5 million and 182.8 million in 2023 respectively.

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The Number of Mobile Mahjong and Poker Game Users, 2014-2023E

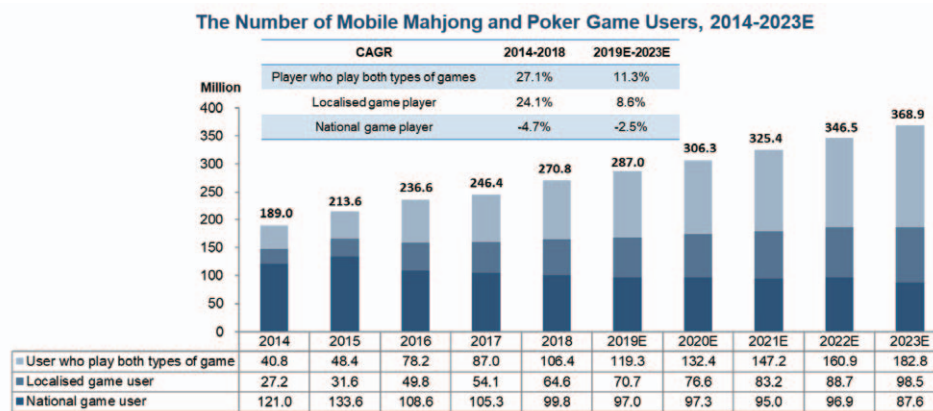


Fig 7. The Number of Mobile Mahjong and Poker Game Users in China

Source: Frost & Sullivan

3.4 Market Size of China's Online Card and Board Game Industry

Card and board games have been enjoying high popularity for long in China. Accompanied with the development of the Internet, card and board games were first introduced to the public on PC terminals and had successfully attracted some traditional players. Popularity of mobile devices is now driving the online card and board game industry into a rapid expansion since 2013. China's online card and board game market size reached RMB10.5 billion in 2018 with a CAGR of 39.2% from 2014 to 2018. It is expected that the upward trend of China's online card and board game market size will continue with a CAGR of 28.0% between 2019 and 2023, reaching RMB37.6 billion in 2023.

Market Size of China's Online Card and Board Game, 2014-2023E

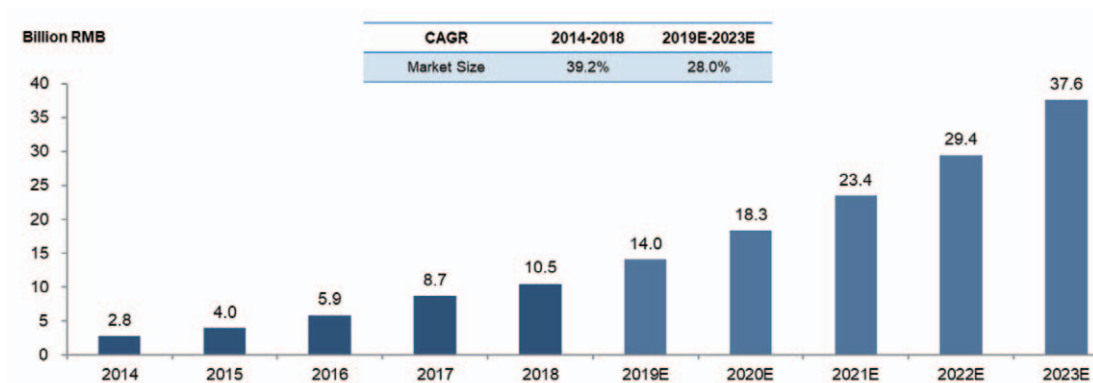


Fig 8. The Market Size of China's Online Card and Board Games Industry

Source: Frost & Sullivan

INDUSTRY OVERVIEW

3.5 User Profiles of China's Online Card and Board Game Market

Mahjong and Fight the Landlord are the recreation of classic games with a long history in the real world, which are also the most popular game categories in China's online card and board games. People from 30 to 49 years old are the main user group of Mahjong and Fight the Landlord games, accounting for 79.1% and 79.9%, respectively in terms of age. Also, majority of the users have undergraduate degree, which account for around 50.0% of the two kinds of games respectively in terms of education background. Moreover, the proportion of male users is higher than that of female users in Mahjong and Fight the Landlord games.

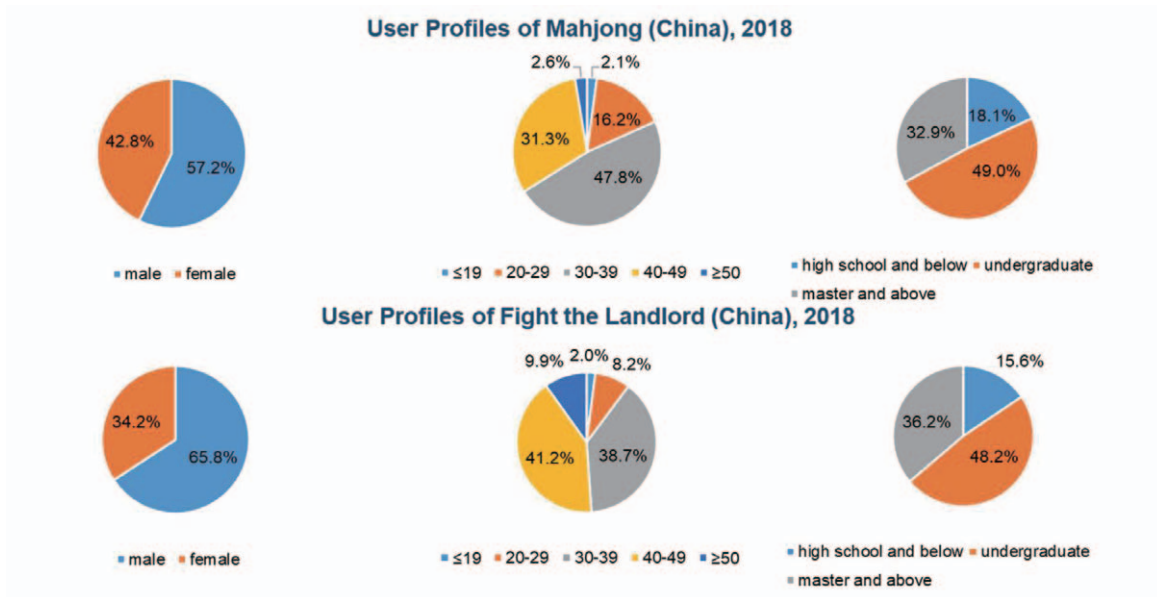


Fig 9. User Profiles of Mahjong and Fight the Landlord in China

Source: Frost & Sullivan

3.6 Market Drivers of China's Online Card and Board Game Industry

Prolonged Traditional Culture

Card and board games have a prolonged history in China and it is a very common way for people to relax by playing cards, board game and Mahjong in China, which breeds the prosperous development of China online card and board game market. Massive player base alongside with cultural background have promised a prominent growth potential of the industry.

Flexible Game Time

Nowadays, as Chinese people's leisure time becomes shorter and fragmented, people are looking for activities to take full advantage of fragmented time. Since the game time of card and board games is flexible, and card and board games usually involve at least two parties, online card and board games turn out to be a suitable option for people to satisfy their social needs as well as make good use of their leisure time, which is also an important driver for the industry.

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Increased Recreation Needs

Accompanied with the growing economy and consistent urbanization, people's disposal income and expenditure on entertainment is experiencing rapid growth and are expected to keep increasing in the coming five years. It is expected that online card and board games players' average consumption on online card and board games will reach RMB159.1 per year in 2023 with a CAGR of 30.5% from 2019. Meanwhile, online card and board players are expected to spend more time on playing online card and board games in the future, reaching about 8.7 hours per week in 2023 with a CAGR of 16.0% from 2019. This reflects player' increasing recreation needs which will propel the development of online card and board game market in China.

3.7 Market Trends of China's Online Card and Board Games Industry

Mobilization of Online Card and Board Games

The most significant trend of online card and board games is mobilization, which is the same as online games. There are three main reasons, firstly, mobile phone user's scale will keep growing rapidly in the future which means potential player base of online card and board game is also growing. Secondly, people could play online card and board games freely without any confining of space. Thirdly, owing to technology development, wireless Internet connection has been faster and cheaper.

Increasing Value-added Service and Virtual Property

Because online card and board game players have increasingly diversified needs at present, game operators must provide value-added service and various virtual property to users to differentiate themselves in the market. Common value-added service and virtual property includes special ID, game props, game clothing and some VIP services. These special products could enhance competitiveness in a large number of homogeneous card and board games. Game operators can also increase revenue by value-added service and virtual property as well.

Localization of Online Card and Board Games

Since national online card and board games are becoming homogeneous and the market is saturated, localization of online card and board game will become a new trend. There are still many localised card and board games, which can only be played offline, thus creating a big room for online game developers to grow. Card and board games, which are particularly popular in tier 3 and tier 4 cities and small counties, have localized game rules for different regions. There are 31 provincial-level regions, 661 cities and 1,636 counties in China and a large number of such regions, cities and counties have their differentiated game rules and playing methods and some of the larger cities or counties have more than one game variations. This results in a large number of card and board game types and variations and allows abundant opportunities for game developers to develop new mobile card and board game variations to meet market demands. As at the end of 2018, there were more than 3,410 localized Mahjong game products and more than 1,430 poker game products in the localized card and board games market, which were based on over 600 Mahjong game variations and over 130 poker game variations that have been developed in China.

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4. MARKET OVERVIEW OF CHINA'S LOCALISED ONLINE CARD AND BOARD GAME INDUSTRY

4.1 Introduction of Localised Online Card and Board Games in China

Card and board games have a unique development trajectory in comparison with other offline games that have also been adapted online. Before card and board games were adapted online, its history can be traced back to hundreds of years ago. Card games and Mahjong had been localised into different types based on game rules or the number of players etc., and these localised games are popular in specific regions in China, especially in tier 3 and tier 4 cities. Since smartphones and Internet gradually penetrates the tier 3 and tier 4 cities in recent years, localised card and board games expanded rapidly since 2015.

4.2 Market Size of China's Online Localised Card and Board Game Industry

The market size of China's online localised card and board game industry increased from RMB1.9 billion in 2014 to RMB8.6 billion in 2018, indicating a CAGR of 45.9% between 2014 and 2018. In 2018, the market size of localised card and board game industry accounted for about 81.9% of the total online card and board game market in China. One important reason for high market share is that most national card and board games are free to play, so less profit is generated from this sector. Also, room card model, in which players can pay for virtual room and invite their friends to play card or Mahjong with them, is a remarkable driver for localised card and board game market. Another worth noting booster is that most online card and board games are promoted offline, which involves many local staff who understand local dialect and can address the specific needs from local players. Currently, room card model with no service for the exchange for cash with virtual tokens can be legally operated in China, which is different from online gambling.

The market size of China's online localised card and board game industry is expected to reach RMB31.0 billion in 2023, indicating a CAGR of 30.2% between 2019 and 2023. It is mainly due to the expansion of special offline promotion model of localised card and board game and the widespread of room card model mentioned above. In 2023, the market size of localised card and board game industry is likely to take up about 82.4% of the total online card and board game industry. The share of localised card and board game out of the total market is expected to moderately increase. Due to urbanization and increasing smartphone penetration in China, offline localized card and board game players who traditionally played in local game rooms will shift to the online platform. Also, online card and board games with localized features that infuse long-standing local cultures are more welcomed by players in China. Both factors will result in an increase of share of localized card and board game in the whole market. Due to increasing mobile device users, mobility of mobile devices and development of wireless Internet, players prefer to play localised card and board games on mobile devices. In 2018, market size of mobile localised card and board game accounted for 81.4% of total market size of online localised card and board game, and it is expected that the market share of mobile localised card and board game will increase continuously, reaching 90.0% in 2023.

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Market Size of Online Localised Card and Board Game Industry (China), 2014-2023E

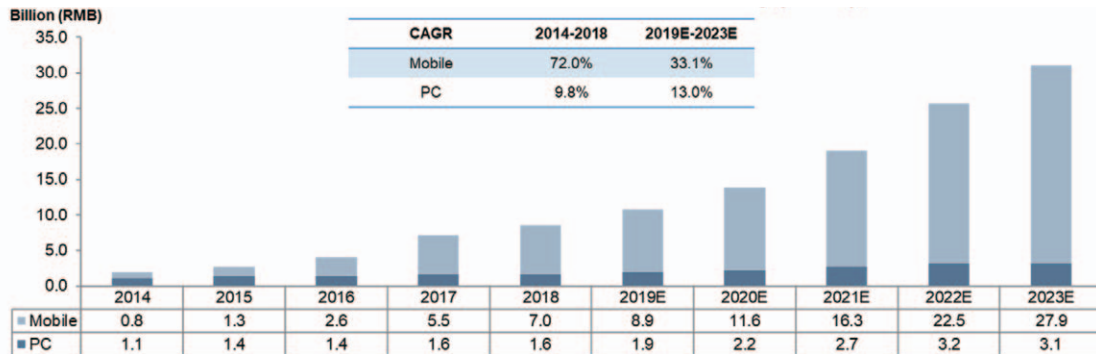


Fig 10. The Market Size of China's Online Localised Card and Board Game Industry

Source: Frost & Sullivan

4.3 Market Drivers of China's Online Localised Card and Board Game Industry

Growing Popularity of Online Card and Board Competitions

The growing popularity of online game competitions leads to the growth of online localised card and board game competitions in recent years. The game companies also regard it as channel of promotion and user acquiring. The reward ranges from game money to home appliances. The culture of joining online card and board game competitions has become one of the most important drivers to the growth of China's online localised card and board game market.

Growing Popularity of Mobile Game Culture

As China's Internet infrastructure, mobile devices and mobile applications are continuously being improved, online mobile games have been more and more popular among mobile users, which also pushes the localised card and board game market to grow.

4.4 Market Trends of China's Online Localised Card and Board Game Industry

Socializing During Game Development

Currently, the most social interaction between players in the card and board game is still conducted by using character communication. To satisfy users' social need, online localised card and board game is likely to launch speech function. Furthermore, some localised card and board game platform will even launch video function.

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Diversification of Types of Games

Due to the geographical limits of localised card and board games, the game companies have to diversify the types or localised variations of games to cover more places and expand their market share continuously. As a conclusion, diversification of games on localised card and board game platform is imperative.

Shifting from PC Game to Mobile Game

As mentioned above, online games will become mobile so do localised online card and board games. Smartphone is more convenient to use than PC terminal and users can play games where there is wireless Internet signal. Also, with the progress of technology, more functions will be achieved on smartphones, which can bring better experiences to players. The expansion of mobile game player base will promote the development mobile localised card and board games.

4.5 Entry Barriers of Localised Online Card and Board Games in China

Distribution Channel Barrier

Currently, most sizable localised online card and board games companies in China rely on offline channel to promote their games. However, it requires a large amount of investment to build an offline distribution channel because game companies must hire more staff in different cities and counties to cover the potential players. For online distribution channel, online traffic is becoming more expensive which results in a high user acquisition cost. In this way, there are entry barriers in both online and offline distribution channels.

Market Responsiveness Barrier

Existing market players who have accumulated abundant experience usually have a better understanding of user demand and preference, based on their analysis on feedback and data collected from users in the long run. Under such condition, they usually have the ability to take timely measures regarding in-game adjustment such as game rewards, specific functions, interfaces and others. Moreover, they are capable of adjust market strategies in terms of advertising channels to catch up with market dynamics. New entrants, however, may lag behind to provide corresponding services and products and fail to cater for the changing user needs.

5. COMPETITIVE LANDSCAPE OF CHINA'S LOCALISED ONLINE CARD AND BOARD GAMES INDUSTRY

5.1 Ranking of China's Localised Online Card and Board Game Industry

China's localised online card and board game market has experienced rapid growth during the past several years and with a relatively few competitors in this market. The market showed a moderate concentration in terms of the revenue of top 5 companies. In 2018, the market size of localised online

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card and board game market in China reached about RMB8.6 billion with the top 5 players accounting for approximately 33.1% of the entire market in terms of revenues. The Group ranked third place in the localised online card and board game market in China in terms of revenue with 5.1% market share in 2018. Due to the advanced technology and long-life cycle of main game products, market share of the Group is expected to keep increasing.

Ranking and Market Shares of Top 5 Online Localised Card and Board Game Companies in China by Revenue, 2018

Ranking and Market Shares of Top 5 Online Localised Card and Board Game Companies in China by Revenue, 2018			
Ranking	Company Name	Revenue (Million, RMB)	Market Share
1	Company A	1,700	19.8%
2	Company B	450	5.2%
3	The Group	440	5.1%
4	Company C	215	2.5%
5	Company D	47	0.5%

Fig 11. The Ranking of Localised Online Card and Board Game Industry Companies in China

Source: Frost & Sullivan

Note:

- (i) Company A is a localised online card and board game developer and operator headquartered in Beijing, providing a comprehensive range of localised card and board games. Company A is a subsidiary of a listed company.
- (ii) Company B is a localised online card and board game developer and operator mainly focused on card games. Company B is a private company located in Hangzhou, Zhejiang Province.
- (iii) Company C mainly concentrates on different kinds of card game and it has a wide coverage of the localised card game in tier 3, tier 4 and tier 5 cities. Company C is a private company.
- (iv) Company D mainly focuses on localised card and board game market in Hunan and Jiangxi Provinces. Company D is a private company located in Guangdong Province.

5.2 Ranking of Top 5 Market Players in the Market-By Number of Localised Variations

Number of localised variations is a very important indicator in evaluating the competitiveness of players in China's online localized card and board game industry. To some extent, the more localised variations, the greater opportunity for a company to maintain the advantages in the market. The number of localised variations has a positive correlation with the game companies' attraction among potential users because more localised variations means wider geographical coverage. In terms of localized variations, the Group and Company C ranked in the first and second place, respectively with 453 and 240 localised variations by the end of 2018. Company B, Company E and Company A ranked from third to fifth in sequence.

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Top 5 Market Players-by Number of Localised Variations, 2018

Top 5 Market Platers-by Number of Localised Variations, 2018	
Company Name	Number of Localised Variations
The Group	453
Company C	240
Company B	66
Company E	50
Company A	28

Fig 12. Top 5 Market Players in the Market-By Number of Localised Variations

Source: Frost & Sullivan

5.3 Ranking of Top 5 Market Players in the Market-By Number of Provincial Regions Covered

By the end of 2018, localised card and board game provided by the Group covered 24 provincial regions in China. The Group ranked behind only Company A and Company C in terms of the number of provincial regions covered. It kept closely with Company C which developed business in 25 provinces. Company B and Company E was in the fourth and fifth place, with 13 and 5 provincial regions covered, respectively.

Top 5 Market Players-by Number of Provincial Regions Covered, 2018

Top 5 Market Platers-by Number of Provincial Regions Covered, 2018	
Company Name	Number of Provincial Regions Covered
Company A	28
Company C	25
The Group	24
Company B	13
Company E	5

Fig 13. Ranking of Top 5 Market Players in the Market-By Number of Provincial Regions Covered

Source: Frost & Sullivan

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5.4 Ranking of Top 5 Market Players in Specific Regions — By DAU

Localised card and board game is very popular in the northeastern and southwestern China which are two of the most important regional markets in this industry. The Group had an excellent performance and ranked second place in northeastern and southwestern China in terms of average DAU in 2018, which were 1,630 and 1,498 thousand DAU, respectively. Company B and Company C ranked the first in two regions respectively.

Top 5 Market Players in Northeastern China- by DAU, 2018		Top 5 Market Players in Southwestern China- by DAU, 2018	
Company Name	Average DAU (1,000 users)	Company Name	Average DAU (1,000 users)
Company B	1,980	Company C	1,580
The Group	1,630	The Group	1,498
Company C	270	Company A	730
Company A	36	Company B	390
Company D	8	Company D	47

Fig 14. Ranking of Top 5 Market Players in Specific Regions - By DAU

Source: Frost & Sullivan

Notes:

- (i) Daily active users (DAU) is one of the ways used for measuring success of an internet product. DAU reflects the number of unique product users who visit the product daily;
- (ii) Northeastern China includes Heilongjiang, Jilin, Liaoning, Tianjin, Beijing;
- (iii) Southwestern China includes Guizhou, Sichuan, Yunnan, Chongqing and Tibet.

5.5 Ranking of Top 5 Market Players by Number of Downloads

In terms of number of downloads, the Group ranked the third place in 2018, with 952,291 times of downloads. Company A and Company C ranked the first and the second respectively, with 22,614,315 and 3,877,379 times of downloads, respectively.

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Ranking of Top 5 Market Players in China by Number of Downloads, 2018

Ranking of Top 5 Market Players in China by Number of Downloads, 2018		
Ranking	Company Name	Number of Downloads
1	Company A	22,614,315
2	Company C	3,877,379
3	The Group	952,291
4	Company B	407,489
5	Company D	74,000

Fig 15. Ranking of Top 5 Market Players by Number of Downloads

Source: Frost & Sullivan

5.6 Ranking of Top 5 Market Players by Monthly Paying Users

Number of monthly paying users is a very important indicator in evaluating the revenue stream of players in China's mobile card and board game industry. In terms of number of monthly paying users, the Group ranked fourth place in 2018, with 492 thousand monthly paying users. Company A and Company B ranked the first and the second respectively, with 2,670 thousand and 1,000 thousand monthly paying users, respectively.

Ranking of Top 5 Market Players in China by Monthly Paying Users

Ranking of Top 5 Market Players in China by Monthly Paying Users		
Ranking	Company Name	Monthly Paying Users (1,000 users)
1	Company A	2,670
2	Company B	1,000
3	Company C	540
4	The Group	492
5	Company D	150

Fig 16. Ranking of Top 5 Market Players by Monthly Paying Users

Note:

- (i) Monthly Paying Users data is provided by the Data Center at Frost & Sullivan.

Source: Frost & Sullivan

REGULATORY OVERVIEW

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

Licenses for Value-added Telecommunications Services

The Telecommunications Regulations of the People's Republic of China (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), promulgated by the State Council of the PRC (the “**State Council**”) on September 25, 2000 and last amended on February 6, 2016, provides a regulatory framework for telecommunications services providers in the People's Republic of China (the “**PRC**”). The Telecommunications Regulations requires telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorizes 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 “**MI**”, which is the predecessor of the Ministry of Industry and Information Technology (the “**MIIT**”) on February 21, 2003 and amended by the MIIT on December 28, 2015 and June 6, 2019, respectively, information services provided via fixed network, mobile network and Internet fall within value-added telecommunications services.

On March 1, 2009, the MIIT issued the Administrative Measures for the Licensing of Telecommunications Business (《電信業務經營許可管理辦法》) (the “**Telecom Licensing Measures**”), which took effect on April 10, 2009 and was last amended on July 3, 2017. The Telecom Licensing Measures confirms that there are two types of telecom operating licenses for operators in China, namely, licenses for basic telecommunications services and licenses for value-added telecommunications services (the “**VATS License**”). The operation scope of the license will detail the permitted activities of the enterprise to which it was granted. An approved telecommunications services operator shall conduct its business in accordance with the specifications listed in its VATS License. In addition, the holder of a VATS License is required to obtain approval from the original issuing authority in respect of any change to its shareholders.

On September 25, 2000, the State Council promulgated the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Information Measures**”), which was amended on January 8, 2011. Under the Internet Information Measures, commercial Internet information services operators shall obtain a VATS License with the business scope of Internet information service (an “**ICP License**”), from the relevant government authorities before engaging in any commercial Internet information services operations within the PRC. The provision of information services through mobile applications is subject to the PRC laws and regulations governing internet information services. In addition, on June 28, 2016, the State Internet Information Office promulgated 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 “**Mobile Application Administrative Provisions**”), to strengthen the regulation of the mobile application information services. Pursuant to the Mobile Application Administrative Provisions, an internet application program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet application program provider must not enable functions that can collect a user's geographical location

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information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant application programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and application programs. Furthermore, on December 16, 2016, the MIIT promulgated the Interim Administrative Provisions on the Pre-Installation and Distribution of Mobile Smart Terminal Application Software (《移動智能終端應用軟件預置和分發管理暫行規定》) (the "**Mobile Application Interim Provisions**"), which took effect on July 1, 2017. The Mobile Application Interim Provisions requires, among others, that Internet information services providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic functional software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

The content of the Internet information is highly regulated in China and pursuant to the Internet Information Measures, the PRC government may shut down the websites of ICP License holders and revoke their ICP Licenses if they produce, reproduce, disseminate or broadcast Internet content that contains content that is prohibited by law or administrative regulations. Commercial Internet information services operators are also required to monitor their websites. They may not post or disseminate any content that falls within the prohibited categories, and must remove any such content from their websites, save the relevant records and make a report to the relevant governmental authorities.

Restrictions on Foreign Investment

Foreign direct investment in telecommunications companies in China is governed by the Administrative Provisions on Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定》(2016年修訂)), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The regulations require foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprises operating the value-added telecommunications business in China must demonstrate a good track record and experience in operating a value-added telecommunications business. Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the Ministry of Commerce of the PRC (the "**MOFCOM**"), or their authorized local counterparts, for the commencement of that investor of value-added telecommunication business in China.

In July 2006, the MII released the Circular on Strengthening the Administration of Foreign Investment in 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 "**MIIC Circular**"), pursuant to which, domestic telecommunications enterprises were prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in

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any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Circular, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (including any shareholder thereof).

Investment activities in the PRC by foreign investors are mainly governed by the Catalog for the Guidance of Foreign Investment Industries (revised in 2017) (《外商投資產業指導目錄(2017年修訂)》) (the “**Catalog**”), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission (the “**NDRC**”) on June 28, 2017 and became effective on July 28, 2017. The Catalog divides industries into four categories in terms of foreign investment. Those categories are: “encouraged”, “restricted”, “prohibited” and all industries not listed under one of these categories are deemed to be “permitted”. On June 28, 2018, NDRC and MOFCOM promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the “**Negative List**”), which entered into force from July 28, 2018 and superseded the categories of “restricted” and “prohibited” for foreign investment as provided in the Catalog. According to the Negative List, the Internet information services that the Company currently offers falls within the scope of value-added telecommunications services (except for e-commerce) and Internet cultural businesses (except for music), which are restricted and prohibited from foreign investment, respectively.

REGULATIONS ON ONLINE GAMES PUBLISHING AND OPERATION

Regulatory Authorities and Restriction on Foreign Investment

The Notice on Circulating the Interpretation of the State Commission Office for Public Sector Reform on Some of the Articles in the “Three Provisions” for the Ministry of Culture (the “**MOC**”, currently known as the Ministry of Culture and Tourism), the State Administration of Radio, Film and Television (the “**SARFT**”, subsequently known as the State Administration of Press, Publication, Radio, Film and Television, the “**SAPPRFT**” and currently known as the National Radio and Television Administration) and the General Administration of Press and Publication (the “**GAPP**”) concerning Animated Games, Online Games and Comprehensive Law Enforcement in the Culture Market (《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 GAPP (which is now part of the National Radio and Television Administration) 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.

Both the Internet publishing services (including the online game publishing) and Internet culture operation (including the online game operation) fall within the Negative List and are prohibited from foreign investment. 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

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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**”), promulgated by the GAPP, together with the National Copyright Administration (the “**NCA**”) and the Office of the National Working Group for Crackdown on Pornographic and Illegal Publications, on September 28, 2009, provides, among other things, that foreign investors are not permitted to invest or engage in online game operations in the PRC through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual agreements or providing technical support. Serious violation of the GAPP Notice will result in suspension or revocation of relevant licenses and registrations.

Online Game Examination and Publishing

The Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》) (the “**Online Publishing Measures**”) were jointly promulgated by the SAPPRFT and the MIIT on February 4, 2016 and became effective on March 10, 2016. The Online Publishing Measures imposed a license requirement for “online publishing services”, which refers to providing online publications to the public through information networks, and “online publications” refers to edited, produced or processed digital works that are provided to the public through information network, including, *inter alia*, games. The license requirement is that an entity shall, for the purpose of engaging in online publishing services, be approved by publishing authorities and obtain the Online Publishing Service License (網絡出版服務許可證).

According to the Online Publishing Measures, before publishing an online game, an online publishing service provider shall file an application with the competent provincial counterpart of the SAPPRFT in the place where it is located and the application, if approved, shall be submitted to the SAPPRFT for approval. An online game shall not be launched without the prior approval of the SAPPRFT. The SAPPRFT promulgated the Circular on May 24, 2016. According to the Circular, if the launching of new game variations or versions of our existing game products involves upgrading works and introduction of new information (i.e. substantial change of plots, tasks, maps, personalities of characters, characteristics of roles, and player interaction functions; together with a change in the name of the game by supplementing the existing name such as “[Existing name of game + subtitle]”, “New [existing name of game]” or “[Existing name of game] 2” for promotional purpose), such upgrading works shall be deemed as new work products and relevant approval from the SAPPRFT should be obtained. To apply for publication of domestically developed mobile games in the leisure and puzzle category that are not related to political, military, national or religious topics or contents and have no or simple story lines, entities shall submit the required documents to provincial publication administrative departments at least 20 business days prior to the expected date of online publication (public beta). Entities applying for publication of domestically-developed mobile games that are not included in abovementioned category shall go through stricter procedure. Game publishing service entities must set up a specific page to display the information approved by the SARFT,

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including the copyright owner of the game, publishing service entity, approval number, publication number and others, and shall take charge of examining and recording daily updates of the game. Concerning those mobile games (including pre-installed mobile games) that have been published and operated online before the implementation of this Circular, other requirements apply to maintain the publication and operation of such games online, relevant approval procedures would have to be implemented by the game publishing service entities and enterprises in coordination with the provincial publication administrative departments before October 1, 2016 as required by this Circular. Otherwise, these mobile games shall cease to be published or operated online.

As advised by our PRC Legal Advisor, based on its review of the information on the 495 mobile game products and taking into account that the game products other than those that are already covered by the 83 pre-approved registrations are in the same categories as, and developed based on, those covered by the 83 pre-approved registrations and they do not involve changes or upgrading works stipulated in the Circular as new work products, our Group was not required to obtain further approval prior to launching these game products.

Online Game Operation

On February 17, 2011, the MOC issued the revised Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》) (the “**Internet Culture Interim Provisions**”), which became effective on April 1, 2011 and was further revised on December 15, 2017 by the MOC. Pursuant to the Internet Culture Interim Provisions, “Internet cultural products” are defined as including the online games specially produced for Internet and games disseminated or distributed through Internet. Provision of 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 Administrative Measures for Online Games (《網絡遊戲管理暫行辦法》) (the “**Online Game Measures**”), which came into effect on August 1, 2010 and was further amended on December 15, 2017. The Online Game Measures governs the research, development and operation of online games and the issuance and trading services of virtual currency. Under the Online Game Measure, all operators of online games, issuers of virtual currency and providers of virtual currency trading services are required to obtain Internet Culture Operation Licenses. An Internet Culture Operation License is valid for three years and in case of renewal, the renewal application should be submitted 30 days prior to the expiry date of such license. Each of Jiaxiang Interactive, Jilin Yuke and Jilin Xinze holds an Internet Culture Operation License with service scope covering operation of online games and issuance of virtual currency.

The Online Game Measures also requires that a domestic online game must be filed within 30 days of its launch with the MOC. The competent supervision authority may require the company who fails to comply with this requirement to rectify the non-compliance and impose penalties up to RMB20,000. In addition, the filing numbers of the games must be displayed at the designated places of the websites on which the games are operated and at a prominent place in the games. The Online Game Measures does not impose any post-filing requirements for variations of domestic online games which do not constitute new work products under the Circular. Online game operators are also required to establish self-censorship systems and have dedicated personnel for the purpose to ensure the lawfulness of the content of online games.

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In early 2018, the SAPPRFT, being the government authority responsible for granting pre-approval of publication of domestic online games, was replaced by SART according to the institutional restructuring plan of the State Council. Since April 2018, (i) the SAPPRFT at the national level has suspended to approve publication of online games and (ii) the MOC at the national level recently closed the post-filing recording online system for domestic online games in the PRC. However, as of the Latest Practicable Date, no government authorities/sources, including the SAPPRFT and the MOC, has issued or promulgated any official policy, regulation or statement in respect of (a) any suspension of pre-approval from the SAPPRFT or suspension of post-filing with the MOC for the publishing and commercial launch of mobile games, or (b) any proposed, revised or new administrative/regulatory approval procedure involving pre-approval or post-filing requirements for the publishing and commercial launch of mobile games. Based on the information released on the website of the SAPPRFT, 164 domestic online games have obtained pre-approval in December 2018 and another 283, 279, 233 and 40 domestic online games have obtained pre-approval in January, February, March and April 2019, respectively, which indicates that the suspension of the pre-approval of domestic online games has been lifted.

On October 11, 2018, the General Office of the State Council promulgated the Implementation Scheme of Improvement and Promotion of Consumption Mechanism (2018-2020) (《完善促進消費體制機制實施方案(2018-2020年)》) (the “**Scheme**”), which expressly calls for developing digital cultural content such as digital video and audio, animation and games and online literature, promoting transformation and upgrading of online games, as well as standardising and regulating development, publishing and operation of online games. Although the pre-approval and post-filing procedure for domestic online games is not explicitly mentioned in the Scheme, our PRC Legal Advisor is of the view that the promulgation of the Scheme indicates the relevant rules are expected to be promulgated, and therefore the purported suspension of pre-approval and post-filing of domestic online games from the SAPPRFT and the MOC is expected to be temporary and is likely to be resumed in the foreseeable future.

REGULATIONS ON ONLINE GAMBLING AND VIRTUAL CURRENCY

On January 25, 2007, the Ministry of Public Security (the “**MPS**”), the MOC, the MII and the GAPP jointly issued the Notice on Regulating the Order of Online Gaming Operations and Investigating and Banning Gambling Activities in Connection with Online Games (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》) (the “**Anti-gambling Notice**”). To curtail online games that involve online gambling 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 game credits to other players.

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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 Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》) (the “**Internet Cafes 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, the “in-game virtual currency” shall refer to a virtual exchange tool that is issued by game operators and purchased directly or indirectly by game users with legal currency in a certain exchange rate and that is electronically stored in servers and represented in a specific digital unit outside the game programs. The Virtual Currency Notice requires online game operators that (a) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (b) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits online game operators issuing online game virtual currency from providing services that would enable the trading of such virtual currency. Any online game operator that fails to submit the requisite application will be subject to sanctions, including without limitation, mandatory rectification measures and fines.

The Online Game Measures provided that (i) virtual currency may only be used to purchase services and products in games provided by the online service provider that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user's advance payment; (iii) the storage period of online gamers' purchase record shall not be shorter than 180 days from the date of last service received by the game player; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level.

REGULATIONS ON REAL-NAME REGISTRATION, ANTI-ADDICTION SYSTEM AND CONTROL OF MYOPIA

Real-name Registration

Pursuant to the Online Game Measures, online game operators shall require online game users to use valid identity documents for real-name registration, and save the users' registration information. This requirement applies to both mobile games and other online games. Where an online game operator violates the aforementioned requirement, the culture authorities or the comprehensive law enforcement agency for cultural market at county level or above may order it to make correction, and impose a fine up to RMB20,000 depending on the seriousness of the circumstances. The Notice of

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MOC on Regulating the Operation of Online Games and Strengthening the Interim and Ex Post Supervision (《文化部關於規範網絡遊戲運營加強事中事後監管工作的通知》) issued by the MOC on December 1, 2016 and effective as May 1, 2017, further provides that online game operators shall not provide recharge or consumptions services in game for online game users who log in as visitors.

Anti-addiction System

On April 15, 2007, eight PRC government authorities, including the GAPP, the Central Civilization Office, the Ministry of Education, the MPS, the MIIT, the Chinese Communist Youth League, the All-China Women Federation and the China Youth Concern Committee, jointly issued the Notice on Application of the Online Game Addiction Prevention System for 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.

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 Initiating the Real-name Authentication for Online Game Addiction Prevention (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》) (the “**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, a subordinate public institution of the MPS, for verification since October 1, 2011, in an effort to prevent minors from using an adult’s ID to play online games. The most severe punishment contemplated by the Real-name Authentication Notice requires revocation of relevant licenses if it is found in violation of the Anti-addiction Notice and the Real-name Authentication Notice.

On July 25, 2014, GAPP issued the Notice on Deeply Carrying out the Real-name Authentication for Online Game Addiction Prevention (《關於深入開展網絡遊戲防沉迷實名驗證工作的通知》) 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. The Service Guidance for the Approval of Publishing Domestic Online Games (《出版國產網絡遊戲作品審批事項服務指南》) issued by SAPPRFT on January 12, 2017 further clarifies that, the introduction of the adopted anti-addiction system and the evidential documents of the real-name authentication procedures are required for applying for publishing online games excluding mobile names temporarily. As of the Last Practicable Date, all of the online games that we operate within the PRC are mobile games and therefore we are not required to implement an anti-addiction compliance system in such games.

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Control of Myopia

On August 30, 2018, eight PRC regulatory authorities at national government level released the Implementation Program on Comprehensive Prevention and Control of Adolescent Myopia (《綜合防控兒童青少年近視實施方案》) (the “**Implementation Program**”). As a part of the plan to prevent myopia among children, the Implementation Program plans to regulate the number of new online games and restrict the amount of time that children spend on playing electronic devices. As of the Latest Practicable Date, no implementation rule has been issued to enforce the Implementation Program. As such, we do not believe that the Implementation Program has had any impact on the business of our Group to date. Furthermore, the majority of our Company’s game products, namely the game categories of Mahjong and poker, are not targeted at children or adolescents. Therefore, we are of the view that going forward, the Implementation Program will not have material impact on our operations.

REGULATIONS RELATING TO INFORMATION SECURITY AND CENSORSHIP

Internet content in China is regulated and restricted from a state security standpoint. The Standing Committee of the National People’s Congress (the “**NPC Standing Committee**”) enacted the Decision on Internet Security Protection (《維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights. In 1997, the MPS issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算器信息網絡國際聯網安全保護管理辦法》), which were amended by the State Council on January 8, 2011 and prohibit using the Internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The MPS has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

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

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security review. On May 2, 2017, the Cyberspace Administration of China (中華人民共和國國家互聯網辦公室) (the “CAC”) issued the Measures for Examining the Security of Network Products and Services (for Trial Implementation) (《網絡產品和服務安全審查辦法(試行)》), which took effect on June 1, 2017, to provide for more detailed rules regarding cyber security review requirements.

REGULATIONS RELATING TO PRIVACY PROTECTION

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》) (the “**Internet Protection Measures**”) which took effect on March 1, 2006. The Internet Protection Measures requires Internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users’ information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users’ correspondences.

In December 2012, the NPC Standing Committee promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the Internet. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which took effect on September 1, 2013, to regulate the collection and use of users’ personal information in the provision of telecommunication services and Internet information services in China and the personal information includes a user’s name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. Telecommunication business operators and Internet service providers are required to constitute their own rules for the collection and use of users’ information and they cannot collect or use of user’s information without users’ consent. Telecommunication business operators and Internet service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and Internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》), which became effective on March 15, 2012. The Provisions stipulates that without the consent of users, Internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information

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(hereinafter referred to as “personal information of users”), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Provisions also requires that Internet information service providers shall properly keep the personal information of users; if the preserved personal information of users is divulged or may possibly be divulged, Internet information service providers shall immediately take remedial measures; where such incident causes or may cause serious consequences, they shall immediately report the same to the telecommunications administration authorities that grant them with the Internet information service license or filing and cooperate in the investigation and disposal carried out by relevant departments. Failure to comply with such requirements may result in a fine between RMB10,000 and RMB30,000 and an announcement to the public.

REGULATION RELATING TO FOREIGN EXCHANGE

Regulations on Dividend Distribution

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the PRC (《中華人民共和國公司法》) last amended in 2018, the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) promulgated in 1986 and last amended in 2016 and its implementation regulations promulgated in 1990 and subsequently amended in 2001 and 2014, the Law of the PRC on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) promulgated in 1979 and last amended in 2016 and its implementation regulations promulgated in 1983 and last amended in 2014, and the Law of the PRC on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) promulgated in 1988 and last amended in 2017 and its implementation regulations promulgated in 1995 and last amended in 2017. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, State Administration of Foreign Exchange (the “SAFE”) issued the Circular concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via 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 No. 37”). Under the SAFE Circular No. 37, domestic residents in the PRC are required to register with local branches

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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 domestic 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 No. 37 further requires that in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. At the same time, the SAFE has issued the Operation Guidance for the Issues concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) (the "**Operating Guidance**") with respect to the procedures for SAFE registration under the SAFE Circular No. 37, which became effective on July 4, 2014 as an attachment to SAFE Circular No. 37. According to the Operating Guidance, a domestic individual resident is only required to register for the first level of special purpose vehicle he/she directly owned or controlled.

On February 13, 2015, SAFE promulgated the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《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》) effective from June 1, 2015, which cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, it simplifies the procedure of registration of foreign exchange and investors shall register with banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular No. 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the special purpose vehicle may be prohibited from distributing profits to the PRC shareholder and from carrying out subsequent cross-border foreign exchange activities. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Regulations on Stock Incentive Plans

In February 2012, SAFE issued the Circular concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"), replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in

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connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share. Under the Circular of the State Administration of Taxation on Issues concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the State Administration of Taxation (the "SAT") and effective from August 24, 2009, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS RELATED TO TAX

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) which was amended on February 24, 2017 and December 29, 2018 respectively, and on December 6, 2007, the State Council enacted the Implementing Regulations of the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) which came into effect on January 1, 2008 (collectively, the "EIT Law"). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is usually applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Circular on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by SAT on April 22, 2009 and Announcement on Issues concerning the Determination of Resident Enterprises Based on the Standards of Actual Management Institutions (《關於依據實際管理機構標準實施居民企業認定有關問題的公告》) promulgated by the SAT on January 29, 2014 sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

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The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《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》) (the “**Double Tax Avoidance Arrangement**”) and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% if the resident enterprise holds at least 25% of the equity interest in the PRC resident enterprise. However, based on the Circular of the SAT on Relevant Issues concerning the Implementation of Dividend Clauses 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》) issued on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》), effected on January 1, 2008 and amended on January 29, 2016, the certificate of a high and new technology enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the “website for the administration of accreditation of high-tech enterprises”. Besides, when any high-tech enterprise has changed its name or has undergone any major change concerning the accreditation conditions (such as a division, merger, reorganization or change of business), it shall report the change to the accreditation institution within three months upon occurrence of the change. If the high-tech enterprise is qualified upon review by the accreditation institution, it continues to have the qualification as a high-tech enterprise, and in case of change in the name, a new accreditation certificate will be issued with the number and term of validity remaining the same as the previous certificate; otherwise, the qualification as a high-tech enterprise shall be canceled as of the year of change in the name or any other condition.

The Circular on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), which was promulgated by the Ministry of Finance (the “**MOF**”) and the SAT and effected on January 1, 2011 and the Circular on Issues concerning Preferential Enterprise Income Tax

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Policies for Software and Integrated Circuit Industries (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》) promulgated by the MOF, the SAT, the NDRC and the MIIT on May 4, 2016, provides that newly established integrated circuit design enterprises and eligible software enterprises shall be exempt from the enterprise income tax for the first two years of the preferential period, and shall be levied thereon at half of the statutory rate of 25% for the next three years until the expiration of the preferential period.

Value-added Tax and Business Tax

According to the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例》) (the “**VAT Regulations**”), which was promulgated by the State Council on December 13, 1993 and was amended in November 2008, February 2016 and November 2017, and the Implementing Rules for the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was first promulgated by the MOF and the SAT on December 18, 2008 and subsequently amended on October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax.

Pursuant to the Interim Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》) (the “**Business Tax Regulations**”), which became effective on January 1, 1994 and were subsequently amended on November 10, 2008 and abolished on November 19, 2017, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the Taxable Items and Tax Rates Form for Business Tax (《營業稅稅目稅率表》) attached to the regulation. On January 1, 2012, the MOF and the SAT have implemented the Pilot Proposals for the Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改征增值稅試點方案》) (the “**VAT Pilot Proposals**”), which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the MOF and the SAT on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the MOF and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知》) which became effective on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax instead of business tax. The State Council amended the VAT Regulations and abolished the Business Tax Regulations concurrently on November 19, 2017. Following the implementation of the VAT Pilot Proposals, most of our PRC subsidiaries and affiliates have been subject to VAT, at a rate of 6%, instead of business tax.

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REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The Copyright Law

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

The Copyright Law of the PRC (Revised in 2010) (《中華人民共和國著作權法》(2010年修訂)) (the “**Copyright Law**”) provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

Under the Regulations on the Protection of Rights to Information Network Communication (《信息網絡傳播權保護條例》) that took effect on July 1, 2006 and was amended on January 30, 2013, it is further provided that an Internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the Internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the Internet information service provider fails to take such measures upon receipt of the copyright holder’s notice of infringement. The Internet information service provider may be exempted from indemnification liabilities under the following circumstances:

- (i) any Internet information service provider that provides automatic Internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio/visual products provided by its users is not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio/visual products and (b) it provides such works, performances and audio/visual products to the designated users and prevents any person other than such designated users from obtaining access;
- (ii) any Internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio/visual products obtained from any other Internet information service providers, is not required to assume the indemnification liabilities if (a) it has not altered any of the works, performances or audio/visual products that are automatically stored; (b) it has not affected such original Internet information service provider in holding the information about where the users obtain the relevant works, performances and audio/visual products; and (c) when the original Internet information service provider revises, deletes or shields the works, performances and audio/visual products, it will automatically revise, delete or shield the same;

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- (iii) any Internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio/visual products to the general public via an informational network is not required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performances and audio/visual products that are provided by the users; (c) it is not aware of or has no justified reason to know that the works, performances and audio/visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio/visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio/visual products pursuant to the regulation;
- (iv) an Internet information service provider that provides its users with search engine or link services should not be required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to the regulation, unless it is aware of or should reasonably have known the infringement.

Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the MII and NCA and took effect on May 30, 2005, provides that an Internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content communicated through Internet infringes upon his/its copyright and preserve the copyright owner's notice for 6 months. Where an Internet information service provider clearly knows an Internet content provider's tortuous act of infringing upon another's copyright through Internet, or fails to take measures to remove relevant contents after receipt of the copyright owner's notice although it does not know it clearly, and meanwhile damages public benefits, the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than 3 times the illegal business amount; if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

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

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Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law to Trial of Civil Dispute Cases of Infringement of Information Network Transmission Right (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) provides that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

The Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, respectively as well as the Implementing Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and subsequently amended on April 29, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures for the Internet Domain Names of China (《中國互聯網絡域名管理辦法》), issued by MII on November 5, 2004 and effective as of December 20, 2004 which was replaced by the Administrative Measures for Internet Domain Names (《互聯網絡域名管理辦法》) issued by MIIT on August 24, 2017 and effective as of November 1, 2017, and the CNNIC Implementing Rules of Domain Name Registration (《中國互聯網絡信息中心域名註冊實施細則》) issued by China Internet Network Information Center on May 28, 2012, which became effective on May 29, 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

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The Patent Law

According to the Patent Law of the PRC (Revised in 2008) (《中華人民共和國專利法》(2008年修訂)) promulgated by the NPC Standing Committee, and its Implementation Rules (Revised in 2010) (《中華人民共和國專利法實施細則》(2010年修訂)) promulgated by the State Council, the China National Intellectual Property Administration is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention”, “utility model” and “design”. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, an invention or utility model must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WARFARE

The Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner. In addition, according to the Labor Contract Law: (i) employers must pay laborers double income in circumstances where within one year an employer fails to enter into an employment contract that is more than a month but less than a year from the date of employment and if such period exceeds one year, the parties are deemed to have entered into a labor contract with an “unfixed term”; (ii) employees who fulfill certain criteria, including having worked for the same employer for ten years or more, may demand that the employer execute a labor contract with them with an unfixed term; (iii) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; (iv) an upper limit not exceeding the cost of training supplied to the employee has been set as the amount of compensation an employer may seek for an employee’s breach of the provisions concerning term of services in the labor contract; (v) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; (vi) if an employer pays for an employee professional training, the labor contract may specify a term

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of service. When the employee breach term of service, the amount of compensation may not exceed the training expenses; (vii) employers who demand money or property from employees as guarantee or otherwise may be subject to a fine of more than RMB500 but less than RMB2,000 per employee; and (viii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay such employees compensation ranging from 50% to 100% of the amount of salary so deprived if they fail to pay the salary deprived within ascertain period by the labor administration authorities.

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

On December 28, 2012 the Labor Contract Law was amended to impose more stringent requirements on labor dispatch which became effective on July 1, 2013. Pursuant to the amended Labor Contract Law, (i) it is strongly emphasized that dispatched contract workers shall be entitled to equal pay for equal work as an employee of an employer; (ii) dispatched contract workers may only be engaged to perform temporary, auxiliary or substitute works; and (iii) an employer shall strictly control the number of dispatched contract workers so that they do not exceed certain percentage of total number of employees and the specific percentage shall be prescribed by the Ministry of Human Resources and Social Security. Under the law, “temporary work” means a position with a term of less than six (6) months; “auxiliary work” means a non-core business position that provides services for the core business of the employer; and “substitute work” means a position that can be temporarily replaced with a dispatched contract worker for the period that a regular employee is away from work for vacation, study or for other reasons. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, (i) the number of dispatched contract workers hired by an employer should not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers); and (ii) in the case that the number of dispatched contract workers exceeds 10% of the total number of its employees at the time when the Interim Provisions on Labor Dispatch became effective, the employer must formulate a plan to reduce the number of its dispatched contract workers to comply with the aforesaid cap requirement prior to March 1, 2016. In addition, such plan shall be filed with the local administrative authority of human resources and social security. Nevertheless, the Interim Provisions on Labor Dispatch do not invalidate the labor contracts and dispatch agreements entered into prior to December 28, 2012 and such labor contracts and dispatch agreements may continue to be performed until their respective dates of expiration. The employer may also not hire any new dispatched contract worker before the number of its dispatched contract workers is reduced to below 10% of the total number of its employees. In case of violation, the labor administrative department shall order rectification within a specified period of time; if the situation is not rectified within the specified period, a fine from RMB5,000 to RMB10,000 for each person shall be imposed, and the staffing company’s business license shall be revoked. If a placed worker suffers any harm or loss caused by the receiving entity, the staffing company and the receiving entity shall be jointly and severally liable for damages.

REGULATORY OVERVIEW

Social Insurance and Housing Fund

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

In accordance with the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and amended on March 24, 2002 and March 24, 2019, respectively, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

M&A Rules

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the “M&A Rules”), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and was revised on June 22, 2009. Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

REGULATORY OVERVIEW

FOREIGN INVESTMENT LAW (2019)

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and will come into force from January 1, 2020.

The Foreign Investment Law (2019) stipulates the regulation of foreign investments by way of affording treatment equivalent to national prior to establishment of the foreign investments and by way of having a “negative list”. The “negative list”, which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field prohibited from foreign investment under the “negative list”. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any restricted fields under the “negative list”. For fields not mentioned in the “negative list”, domestic and foreign investments shall be treated equally. The Foreign Investment Law (2019) does not set out the “negative list”.

Differing from the definition of “foreign investors” stipulated in the Foreign Investment Law (2015 Draft), the definition of “foreign investors” in Foreign Investment Law (2019) only includes foreign natural persons, enterprises and other organizations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities.

Moreover, the Foreign Investment Law (2019) does not stipulate that “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on the meaning of “other means”.

Our PRC Legal Advisor is of the view that it is highly likely that (i) the Foreign Investment Law (2019) is a version revised from the Foreign Investment Law (2015 Draft) and (ii) the Foreign Investment Law (2019) supersedes the Foreign Investment Law (2015 Draft).

As of the Latest Practicable Date, Foreign Investment Law (2019) has not come into force, and there is no other related ancillary regulations or implementing rule, the interpretation and implementation of the Foreign Investment Law (2019) might differ from our understanding. If there are other related regulations defining other means of foreign investment to include contractual arrangements, the regulations above will not only apply to our Company and Jiexiang Interactive, but also apply to other entities which operate under contractual arrangements.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our Group was founded by Mr. Wu, Mr. Jiang and Mr. Su in 2009 through the establishment of Jilin Xinze, which was then engaged in the development and operation of PC games with a focus in northeastern China covering Jilin, Liaoning and Heilongjiang provinces in the PRC. Mr. Wu, Mr. Jiang and Mr. Su became acquainted when they worked together as programmers at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司), a software development company focusing on power system, since 2007. Mr. Wu, Mr. Jiang and Mr. Su contributed to the business operations and development of our PRC Operating Entities using their own financial resources. For details of the background of the Founders, see the section headed “Directors and Senior Management — Directors — Executive Directors” for biographies of Mr. Wu, Mr. Jiang and Mr. Su. In 2013, we started to develop and operate mobile Mahjong game and developed 10 mobile game products as of December 31, 2014. Subsequently, we expanded into southern China through the establishment of Jiaxiang Interactive in 2015 and then the private game room business through the establishment of Jilin Yuke in 2017. We have since grown our product offering rapidly to 469 localized variations of Mahjong, 34 poker game variations and 5 other classic and casual games as of the Latest Practicable Date.

From the establishment of Jilin Xinze, Jiaxiang Interactive and Jilin Yuke up to the time immediately before the Reorganization, (i) the Founders together and as parties acting in concert beneficially (directly and/or through certain nominee arrangements) have held 100% of the interest in Jilin Xinze, 92% of the interest in Jiaxiang Interactive and an indirect effective interest of approximately 78.0% of the interest in Jilin Yuke through Changchun Xinkele, which is owned as to approximately 88.6% by the Founders and held 88% of the interest in Jilin Yuke, and (ii) of the interests held by the Founders, 60% was held by Mr. Wu, 20% by Mr. Jiang and 20% by Mr. Su. After the Reorganization and immediately prior to completion of the Global Offering, the Founders will together hold approximately 76.8% of the Company, which will effectively control Jiaxiang Interactive and its subsidiaries, including Jilin Xinze and Jilin Yuke, through the Contractual Arrangements. For details of the nominee arrangements and the beneficial interests of the Founders, see the sections headed “— Information on the Members of our Group — Our Subsidiaries” and “— Historical Common Control of our Group” below.

The following table sets out the key milestones in the business development of our Group since our inception:

November 2009	We started our PC game business.
November 2013	We started our mobile game business.
February 2014	We launched our first localized variation of mobile Mahjong game in Jilin province.
July 2016	We expanded into southern China and launched localized variations of mobile Mahjong game in Guizhou province.
December 2016	We further developed over 70 localized variations of Mahjong featuring different county-level regional game rules of over ten provinces in China.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

March 2017	We introduced private game rooms to some of our Mahjong game variations.
December 2017	Our cumulative registered players exceeded 50 million.
May 2018	We launched our first game, Blaster (微樂愛消除), in Hong Kong.

The following table sets out the key milestones in the corporate development of our Group since our inception:

November 2009	Our Group was founded through the establishment of Jilin Xinze.
August 2015	Jiaxiang Interactive was established.
March 2017	Jilin Yuke was established.
June 2018	Homeland HK was established.
August 2018	Homeland PRC was established.

For further details of our corporate history and shareholding changes of the members of our Group since inception, see the paragraph headed “Information on the Members of our Group” in this section below.

REORGANIZATION

In preparation for our Listing, our Group underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group. The following table sets out the key steps in the Reorganization:

December 2017	Jiaxiang Interactive acquired 80% of the equity interests in Jilin Xinze from Mr. Jiang and 20% from Mr. Su. No consideration was paid for the acquisition of the equity interests in Jilin Xinze as it was 100% beneficially owned by the Founders. Upon completion of the acquisition, Jiaxiang Interactive holds the entire registered capital of RMB10 million in Jilin Xinze. Jiaxiang Interactive acquired 88% of the equity interests in Jilin Yuke from Changchun Xinkele (which is beneficially owned as to 88.64% by the Founders and 11.36% by Mr. Zhu Huaming), 5% from Mr. Men, 5% from Mr. Ding and 2% from Online Tuyou. No consideration was paid to the Founders for the acquisition of equity interests in Jilin Yuke beneficially owned by the Founders through Changchun Xinkele. The consideration payable to Mr. Men and Mr. Ding for their respective direct interests in Jilin Yuke and Mr. Zhu Huaming for his indirect interests in Jilin Yuke through Changchun Xinkele was satisfied by the issue of new Shares in our Company. The consideration payable to Online Tuyou of RMB4,195,600 was satisfied in cash. Upon completion of the acquisition, Jiaxiang Interactive holds the entire registered capital of RMB10 million in Jilin Yuke.
January 2018	We established Jilin Yutai in the PRC. Jilin Yutai acquired 100% of the equity interest in Jiaxiang Interactive from Shouning Jiaxiang and Shouning Weiyou. Each of Shouning Jiaxiang and Shouning Weiyou is beneficially owned as to 92% by the Founders and 8% by Mr. Guo.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

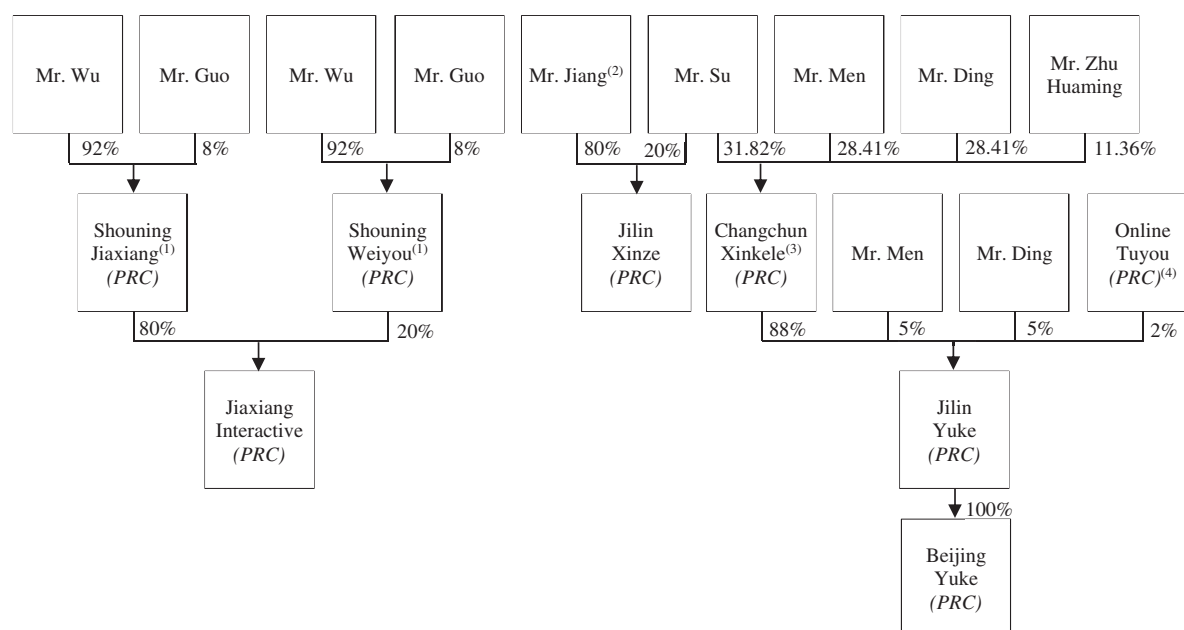
May 2018	Our Company was incorporated in the Cayman Islands and we incorporated Homeland BVI in the BVI as a direct wholly-owned subsidiary of our Company.
June 2018	We incorporated Homeland HK in Hong Kong as a direct wholly-owned subsidiary of Homeland BVI.
August 2018	We established Homeland PRC in the PRC as a direct wholly-owned subsidiary of Homeland HK.
August 2018	In consideration of the acquisition of the entire equity interest in Jilin Xinze and Jilin Yuke from each of our Founders and each of Mr. Guo, Mr. Ding, Mr. Men and Mr. Zhu Huaming in December 2017, our Company allotted and issued new Shares to each of the offshore holding vehicles of each of them or their respective nominee in proportion to their respective beneficial interests in our PRC Operating Entities prior to the Reorganization and the valuations of (i) Jilin Yuke of RMB599 million and (ii) Jiaxiang Interactive on a combined basis inclusive of Jilin Xinze and Jilin Yuke of RMB1,463 million as of June 30, 2018 as appraised by an independent professional valuer. For details of the corporate structure of our Company, see the paragraph headed “Corporate and Shareholding Structure” in this section below.
September 2018	Homeland PRC entered into the Contractual Arrangements with Jiaxiang Interactive and Jilin Yutai. Mr. Wu and Mr. Guo, as the ultimate legal owners of Jilin Yutai, also provided a written undertaking to Homeland PRC to ensure Jilin Yutai’s obligations under the Contractual Arrangements. Through the Contractual Arrangements, Homeland PRC will exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiaxiang Interactive and its subsidiaries. For details of the Contractual Arrangements, see the section headed “Contractual Arrangements”.
September 2018	In order to ensure that our Contractual Arrangements are, and will continue to remain, narrowly tailored, we transferred the entire equity interest in Beijing Yuke, a company previously wholly-owned by Jilin Yuke and which was primarily engaged in software development and technology services which was neither restricted nor prohibited from foreign investments, to an independent third party. See “Contractual Arrangements” section. As a result of such transfer and with an aim to retain our talents, each employee of Beijing Yuke terminated his or her employment contract with Beijing Yuke and entered into an employment contract with Homeland PRC.
June 2019	Our Company allotted and issued 79,276,000 new Shares to the Award Nominee at par value of US\$0.000005 each with the consideration funded by the Founders. The Award Shares shall be held by the Award Nominee for the benefit of certain directors, employees and other eligible participants pursuant to the Share Award Scheme, respectively. For details and principal terms of the Share Award Scheme, see the section headed “Statutory and General Information — D. Share Incentive Schemes — 2. Share Award Scheme” in Appendix IV.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE

The following charts illustrate our corporate and shareholding structure (1) immediately before implementation of the Reorganization, (2) immediately after completion of the Reorganization but before completion of the Global Offering and (3) immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme):

(1) Immediately before the Reorganization



Notes:

- (1) Each of Shouning Jiaxiang and Shouning Weiyu was held as to 92% by Mr. Wu and 8% by Mr. Guo. Mr. Wu was the general partner of Shouning Jiaxiang and Shouning Weiyu.

Of the 92% interest held by Mr. Wu in each of Shouning Jiaxiang and Shouning Weiyu, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su.

Mr. Guo held his interests in each of Shouning Jiaxiang and Shouning Weiyu as beneficial owner.

- (2) Mr. Jiang held 60% interest in Jilin Xinze as nominee for Mr. Wu and 20% interest in Jilin Xinze as beneficial owner and the remaining 20% interest in Jilin Xinze was held by Mr. Su directly as beneficial owner.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (3) Changchun Xinkele was held as to 31.82% by Mr. Su, 28.41% by Mr. Ding, 28.41% by Mr. Men and 11.36% by Mr. Zhu Huaming.

Of the 31.82% interest held by Mr. Su, 19.092% (being 60% of 31.82%) was held by Mr. Su as nominee for Mr. Wu, 6.364% (being 20% of 31.82%) was held by Mr. Su as nominee for Mr. Jiang and 6.364% (being 20% of 31.82%) was held by Mr. Su as beneficial owner.

Of the 28.41% interest held by Mr. Ding, 17.046% (being 60% of 28.41%) was held by Mr. Ding as nominee for Mr. Wu, 5.682% (being 20% of 28.41%) was held by Mr. Ding as nominee for Mr. Jiang and 5.682% (being 20% of 28.41%) was held by Mr. Ding as nominee for Mr. Su.

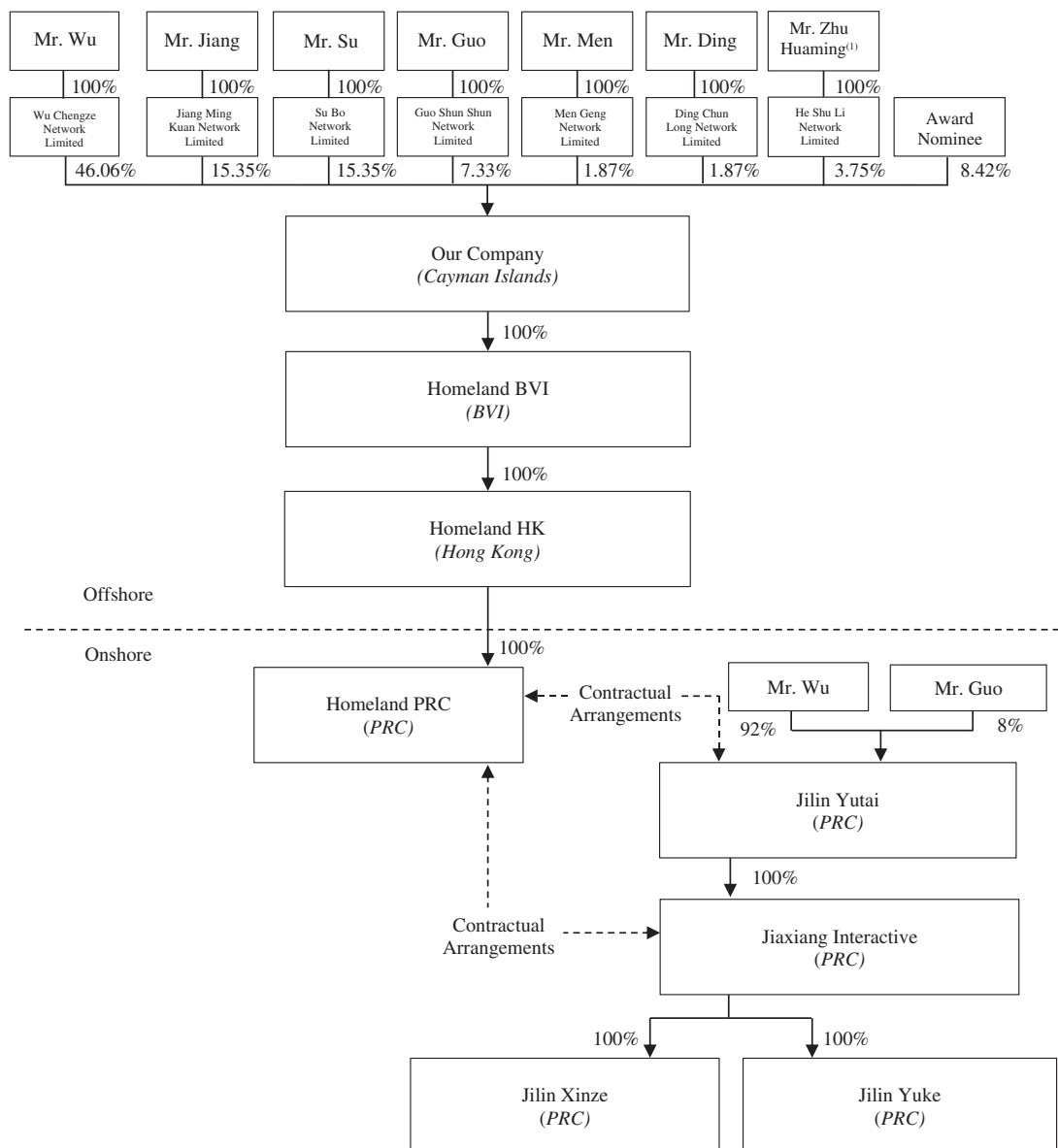
Of the 28.41% interest held by Mr. Men, 17.046% (being 60% of 28.41%) was held by Mr. Men as nominee for Mr. Wu, 5.682% (being 20% of 28.41%) was held by Mr. Men as nominee for Mr. Jiang and 5.682% (being 20% of 28.41%) was held by Mr. Men as nominee for Mr. Su.

Mr. Zhu Huaming held his interest in Changchun Xinkele as beneficial owner.

- (4) Online Tuyou is a third party independent of our Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(2) Immediately after completion of the Reorganization but before completion of the Global Offering

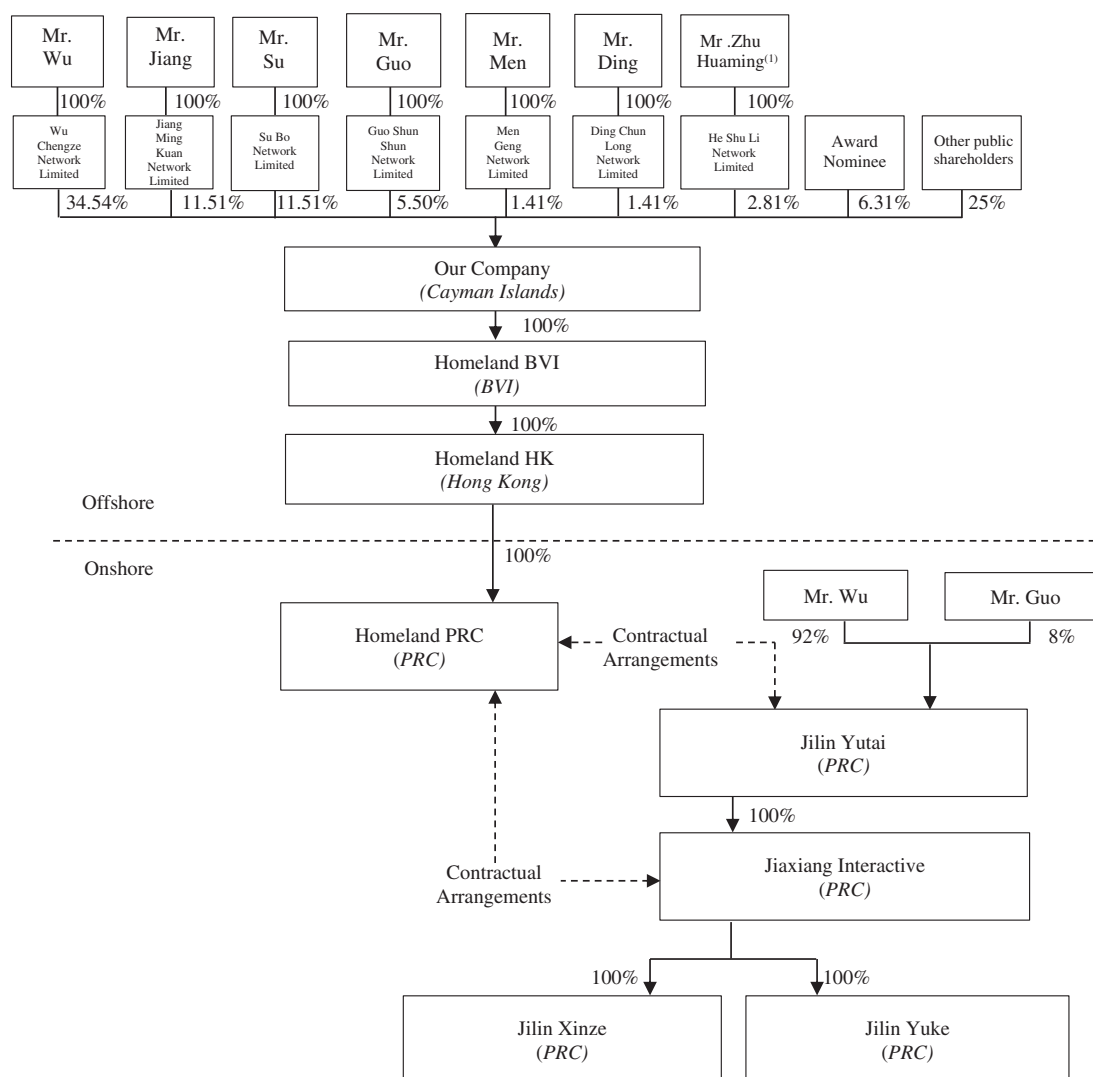


Note:

- (1) He Shu Li Network Limited is wholly owned by Mr. He Shu Li (賀書理), an independent third party. He Shu Li Network Limited acts as the nominee of Mr. Zhu Huaming for holding Shares in our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (3) Immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme)



Note:

- (1) He Shu Li Network Limited is wholly owned by Mr. He Shu Li (賀書理), an independent third party. He Shu Li Network Limited acts as the nominee of Mr. Zhu Huaming for holding Shares in our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

INFORMATION ON THE MEMBERS OF OUR GROUP

We set forth below certain information on our Company and our Subsidiaries:

Our Company

Our Company was incorporated in the Cayman Islands on May 7, 2018 as an exempted company with limited liability, with investment holding as its principal function. Our Company was authorized to issue a maximum of 50,000,000 Shares with par value of US\$0.001 per Share upon incorporation. On August 15, 2018, our Company subdivided all its issued and unissued shares with par value of US\$0.001 each into 100 Shares of US\$0.00001 each. Following the completion of the Share subdivision, our authorized share capital was altered to US\$50,000, divided into 5,000,000,000 Shares of US\$0.00001 each. On May 24, 2019, our Company further subdivided all its issued and unissued shares with par value of US\$0.00001 each into two Shares of US\$0.000005 each. Following the completion of this second Share subdivision, our authorized share capital was altered to US\$50,000, divided into 10,000,000,000 Shares of US\$0.000005 each.

A total of 942,000,000 Shares have been issued to the following Shareholders as of the date of this prospectus and there will be a total of 1,256,000,000 Shares in issue upon completion of the Global Offering.

Name of Shareholder	As at the date of this prospectus		Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	
	Number of Shares held	% of total issued share capital held	Number of Shares held	% of total issued share capital held
Wu Chengze Network Limited	433,842,000	46.06%	433,842,000	34.54%
Jiang Ming Kuan Network Limited	144,614,000	15.35%	144,614,000	11.51%
Su Bo Network Limited	144,614,000	15.35%	144,614,000	11.51%
Guo Shun Shun Network Limited.	69,018,000	7.33%	69,018,000	5.50%
Men Geng Network Limited.	17,662,000	1.87%	17,662,000	1.41%
Ding Chun Long Network Limited.	17,662,000	1.87%	17,662,000	1.41%
He Shu Li Network Limited.	35,312,000	3.75%	35,312,000	2.81%
Award Nominee	79,276,000	8.42%	79,276,000	6.31%
Other public shareholders.	—	—	314,000,000	25.00%
TOTAL	942,000,000	100.00%	1,256,000,000	100.00%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our Subsidiaries

No.	Name of Subsidiary	Date of Establishment / Commencement of Business	Place of Establishment	Ownership as of the date of this prospectus	Principal Activities
1	Homeland BVI	May 7, 2018	BVI	100%	Investment holding
2	Homeland HK	June 4, 2018	Hong Kong	100%	Investment holding
3	Homeland PRC	August 7, 2018	PRC	100%	Software development
4	Jiaxiang Interactive	August 31, 2015	PRC	Controlled through the Contractual Arrangements	Development and operation of mobile games in southern China and holding an ICP License and an Internet Cultural Business License

Subsidiaries of Jiaxiang Interactive

5	Jilin Xinze	November 13, 2009	PRC	100%	Development and operation of mobile games in northern China and holding an ICP License and an Internet Cultural Business License
6	Jilin Yuke	March 10, 2017	PRC	100%	Development and operation of mobile games and private game room business and holding an ICP License and an Internet Cultural Business License

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

We set out below the corporate history and changes in equity of our operating Subsidiaries:

Jilin Xinze

Establishment of Jilin Xinze

Jilin Xinze was established in November 2009. Jilin Xinze is the first company within the Group established by the Founders. From the time Jilin Xinze was established, the Founders agreed that their interests in the Group shall be 60% held by Mr. Wu, 20% held by Mr. Jiang and 20% held by Mr. Su (the “**60-20-20 Principle**”). Therefore, the beneficial ownership of Jilin Xinze shall be 60% held by Mr. Wu, 20% held by Mr. Jiang and 20% held by Mr. Su.

Upon establishment, Jilin Xinze had a registered capital of RMB10 million and was held as to 60% by Ms. Wu Qingxiu (the late aunt of Mr. Wu and as nominee for Mr. Wu), 20% by Mr. Jiang and 20% by Mr. Su.

Rationale for the nominee arrangements between Mr. Wu and Ms. Wu Qingxiu

Due to Mr. Wu’s respect for his late aunt, Ms. Wu Qingxiu, and to provide comfort to his late aunt that she would be well looked after, Mr. Wu decided to designate Ms. Wu Qingxiu as the registered shareholder of Jilin Xinze holding the interests in Jilin Xinze as nominee for Mr. Wu upon its establishment. Mr. Wu had contributed 60% of the total registered capital of Jilin Xinze using his own financial resources at the time of its establishment.

In February 2012, in light of the then health condition of Ms. Wu Qingxiu, Mr. Wu decided to terminate the nominee arrangement between him and Ms. Wu Qingxiu, Ms. Wu Qingxiu transferred the 60% legal interest held by her to Mr. Wu. Such legal interest was transferred back to Ms. Wu Qingxiu in March 2012 pending the approval by Jilin Communications Administration of Jilin Xinze’s renewal application for annual inspection relating to the ICP License as Ms. Wu Qingxiu was the legal owner of the 60% equity interest in Jilin Xinze at the time of submission of the initial application documents. Upon Jilin Xinze obtaining the ICP License from the Jilin Communications Administration, the 60% legal interest held by Ms. Wu Qingxiu was successfully transferred to Mr. Wu in December 2012. No consideration was paid in respect of such transfers.

Potential acquisition by two companies of part of the business of our Group

In early 2017, the Founders were in negotiations with two companies, including an A-share listed company, which were interested in acquiring part of the business of the Group, namely the interests in and the business carried on by Jiaxiang Interactive. It was contemplated that the acquisition would be completed through a share swap of shares in Jiaxiang Interactive in exchange for shares in the A-share listed company. The Founders were interested in this transaction because it would allow them to retain an indirect interest in Jiaxiang Interactive and by keeping the interest in Jilin Xinze, it would allow the Founders to benefit from the synergies from both Jiaxiang Interactive and Jilin Xinze. As

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Mr. Wu was the majority legal and beneficial owner of Jiaxiang Interactive, it was considered that Jilin Xinze would be a related party of Jiaxiang Interactive and the business carried on by Jilin Xinze may compete with that carried on by Jiaxiang Interactive. It was therefore decided that should the acquisition be consummated, Mr. Wu would transfer his 60% equity interest in Jilin Xinze to Mr. Jiang. Mr. Wu transferred his 60% equity interest in Jilin Xinze to Mr. Jiang in March 2017 in anticipation of the consummation of the acquisition. No consideration was paid in respect of such transfer.

Rationale for the nominee arrangements between Mr. Wu and Mr. Jiang

Due to uncertainty as to whether the aforementioned acquisition would be consummated (as the acquisition would be subject to shareholder and other approvals applicable to the A-share listed company), the transfer was done on the basis that Mr. Wu would only transfer the legal interest while Mr. Jiang would hold as nominee for Mr. Wu until such time the acquisition of Jiaxiang Interactive was completed. Therefore, the transfer of the 60% equity interest in Jilin Xinze to Mr. Jiang for him to hold as nominee of Mr. Wu is at nil consideration. As the acquisition did not proceed, Mr. Jiang remained as nominee for Mr. Wu in respect of his 60% interest in Jilin Xinze. Mr. Wu and Mr. Jiang did not unwind the nominee arrangement immediately after the acquisition by the A-share listed company fell through and Mr. Jiang did not transfer the 60% equity interest in Jilin Xinze which he held as nominee back to Mr. Wu because the Founders decided to proceed with a Hong Kong Listing. It was expected therefore that the nominee arrangement would be unwound during the Reorganization and the beneficial interests of Mr. Wu and Mr. Jiang would be reflected in the shareholding structure of our Company as per the pre-agreed 60-20-20 Principle.

Acquisition by Jiaxiang Interactive as part of the Reorganization

In December 2017, Jiaxiang Interactive acquired 100% of the equity interest in Jilin Xinze as part of the Reorganization. No consideration was paid for the acquisition of the equity interests in Jilin Xinze as it was 100% beneficially owned by the Founders. Upon completion of the acquisition, Jiaxiang Interactive holds the entire registered capital of RMB10 million in Jilin Xinze and the nominee arrangement between Mr. Wu and Mr. Jiang with respect to Jilin Xinze was unwound.

Jiaxiang Interactive

Establishment of Jiaxiang Interactive

In 2015, the Founders observed an opportunity to expand into the growing southern China market for card and board games and decided to establish Jiaxiang Interactive in Xiamen. They determined that Mr. Wu would set up and hold the legal ownership of Jiaxiang Interactive together with a senior management member and two key employees, namely Mr. Wang Bing (“**Mr. Wang**”), Mr. Xing Donghai (“**Mr. Xing**”) and Mr. Guo Shunshun (“**Mr. Guo**”). Mr. Wang is the chief technology officer of the Group, Mr. Xing is a vice president primarily responsible for data analysis and operations management of the Group and Mr. Guo is an executive Director and the chief product officer of the Group primarily responsible for product development (such as the development of provincial and local variations of Mahjong). Mr. Wang and Mr. Xing were trusted by the Founders as they had served the Group for a period of time and were nominated to be named legal owners of Jiaxiang Interactive.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Upon establishment, Jiaxiang Interactive had a registered capital of RMB10 million and was held as to 74% by Mr. Wu, 10% by Mr. Wang, 8% by Mr. Xing and 8% by Mr. Guo. Pursuant to the 60-20-20 Principle, Mr. Wu held 60% of his interest as beneficial owner, 20% as nominee for Mr. Jiang and 20% as nominee for Mr. Su, and each of Mr. Wang and Mr. Xing held his respective interest as nominee for Mr. Wu, Mr. Jiang and Mr. Su as to 60%, 20% and 20%, respectively, as follows:

- Mr. Wu held 44.4% (being 60% of 74%) of the equity interest in Jiaxiang Interactive as legal and beneficial owner, 14.8% (being 20% of 74%) as nominee for Mr. Jiang and 14.8% (being 20% of 74%) as nominee for Mr. Su.
- Mr. Wang held 6% (being 60% of 10%) of the equity interest Jiaxiang Interactive as nominee for Mr. Wu, 2% (being 20% of 10%) as nominee for Mr. Jiang and 2% (being 20% of 10%) as nominee for Mr. Su.
- Mr. Xing held 4.8% (being 60% of 8%) of the equity interest in Jiaxiang Interactive as nominee for Mr. Wu, 1.6% (being 20% of 8%) as nominee for Mr. Jiang and 1.6% (being 20% of 8%) as nominee for Mr. Su.
- To recognize Mr. Guo's efforts in the Group's product development and incentivize his ongoing service, Mr. Guo's interest was allocated to him as beneficial owner.

In summary, upon establishment, the interests in Jiaxiang Interactive were held as follows:

Name	Legal interest	Beneficial interests	Interests held as nominee and for whom
Mr. Wu	74%	44.4%	<ul style="list-style-type: none"> • 14.8% for Mr. Jiang • 14.8% for Mr. Su
Mr. Wang	10%	0%	<ul style="list-style-type: none"> • 6% for Mr. Wu • 2% for Mr. Jiang • 2% for Mr. Su
Mr. Xing	8%	0%	<ul style="list-style-type: none"> • 4.8% for Mr. Wu • 1.6% for Mr. Jiang • 1.6% for Mr. Su
Mr. Guo	8%	8%	0%

Rationale for the nominee arrangements among Mr. Wang, Mr. Xing and the Founders

In 2015, upon the Founders' determination to expand into the growing southern China market, the Founders, as parties acting in concert, decided that Mr. Wu (being the largest controlling shareholder of our Group), shall lead the establishment of Jiaxiang Interactive and hold the majority of the legal ownership of Jiaxiang Interactive as the representative shareholder of the Founders. At the

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time, two employees, namely Mr. Wang and Mr. Xing, moved to Xiamen together with Mr. Wu to venture into this new geographical region. It was considered that it would be easier for key employees to promote the business of Jiaxiang Interactive if they are held to be a stakeholder of Jiaxiang Interactive. Therefore, Mr. Wang and Mr. Xing, were named legal owners of Jiaxiang Interactive, holding interests for the Founders as nominees. The legal interest of Mr. Wang was 10% and slightly higher than the 8% held by Mr. Xing because Mr. Wang is more senior than Mr. Xing. All nominee arrangements follow the 60-20-20 Principle.

Transfer of equity interests in Jiaxiang Interactive to two limited partnerships

The Founders received advice from the external adviser relating to the potential acquisition described in “— Jilin Xinze — Potential acquisition by two companies of part of the business of our Group” above that in accordance with relevant PRC laws and regulations, individual registered shareholders of an entity may be required to pay all taxes relating to a potential acquisition or share transfer prior to its completion, but an individual partner of a limited partnership is usually required to pay all taxes relating to a potential acquisition or share transfer only upon receiving an actual distribution of income of the limited partnership. Accordingly, with an aim to expediting the relevant tax approval procedures with respect to the potential acquisition described in “— Jilin Xinze — Potential acquisition by two companies of part of the business of our Group” above in the event that it materializes, Mr. Wu, Mr. Wang, Mr. Xing and Mr. Guo transferred 92% of their equity interests in Jiaxiang Interactive to Shouning Jiaxiang and 8% to Shouning Weiyou, and Shouning Jiaxiang then transferred 12% of its equity interest in Jiaxiang Interactive to Shouning Weiyou. No consideration was paid in respect of such transfers.

Mr. Wu was the general partner of Shouning Jiaxiang and Shouning Weiyou, each a limited partnership established in the PRC and is beneficially owned as to 92% by the Founders and 8% by Mr. Guo. Of the 92% interest held by Mr. Wu in each of Shouning Jiaxiang and Shouning Weiyou, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su. Mr. Guo held his interests in each of Shouning Jiaxiang and Shouning Weiyou as the limited partner and beneficial owner.

In summary, the interests in each of Shouning Jiaxiang and Shouning Weiyou were held as follows:

Name	Economic interests in Shouning Jiaxiang/Shouning Weiyou		
	Legal interest	Beneficial interests	Interests held as nominee and for whom
Mr. Wu	92%	55.2%	<ul style="list-style-type: none"> • 18.4% for Mr. Jiang • 18.4% for Mr. Su
Mr. Guo	8%	8%	0%

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Rationale for the nominee arrangements in Shouning Jiaxiang and Shouning Weiyou among the Founders

Taking into consideration of the aforementioned advice obtained from the external adviser with respect to the corporate and shareholding structure of Jiaxiang Interactive and the fact that the Founders were in negotiations with two companies interested in acquiring Jiaxiang Interactive, the Founders decided to establish the two limited partnerships, namely Shouning Jiaxiang and Shouning Weiyou, and further simplify their beneficial interests held in these two limited partnerships by having Mr. Wu to continue to act as the representative shareholder of the Founders and hold the legal interests on trust for and on behalf of himself and the other two Founders following the 60-20-20 Principle.

Acquisition of the entire equity interests in Jiaxiang Interactive by Jilin Yutai

In January 2018, Jilin Yutai acquired 100% of the equity interest in Jiaxiang Interactive from Shouning Jiaxiang and Shouning Weiyou as part of the Reorganization. See “— Reorganization” above. No consideration was paid for the acquisition of the 92% equity interest in Jiaxiang Interactive beneficially owned by the Founders. Mr. Guo’s interest in Jiaxiang Interactive has been reflected in his indirect shareholding in our Company. Jilin Yutai was established in the PRC in January 2018 and is held as to 92% by Mr. Wu (55.2% (being 60% of 92%) as beneficial owner, 18.4% (being 20% of 92%) as nominee for Mr. Jiang and 18.4% (being 20% of 92%) as nominee for Mr. Su) and 8% by Mr. Guo (as beneficial owner).

In summary, the interests in Jilin Yutai were held as follows:

Name	Legal interest	Beneficial interests	Interests held as nominee and for whom
Mr. Wu	92%	55.2%	<ul style="list-style-type: none">• 18.4% for Mr. Jiang• 18.4% for Mr. Su
Mr. Guo	8%	8%	0%

Rationale for the nominee arrangements in Jilin Yutai among the Founders

As part of the Reorganization and with an aim to further simplify the corporate structure, the Founders consolidate the equity interest held by Shouning Jiaxiang and Shouning Weiyou through the acquisition of 100% equity interest in Jiaxiang Interactive by Jilin Yutai. As it was expected that the beneficial interests in our Group would be reflected in the shareholding structure of our Company during the Reorganization, the Founders decided that the legal interests in Jilin Yutai shall mirror the economic interests held in Shouning Jiaxiang and Shouning Weiyou and therefore Mr. Wu shall continue to serve as the shareholder representative of the Founders and hold the equity interests in Jilin Yutai on trust for and on behalf of himself and the other two Founders following the 60-20-20 Principle. Jilin Yutai is a holding vehicle established for the purpose of holding the equity interest in Jiaxiang Interactive. Apart from such investment, Jilin Yutai has no other business activity.

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Jilin Yuke

Establishment of Jilin Yuke

In 2017, the Founders realized the potential of the private game room business, an enhanced mode which allows a player to purchase private game room cards and initiate and pay for a game session in a virtual “game room” and then invite other known players to join.

The Founders agreed that Mr. Su, together with a senior management member and a key employee, namely Mr. Men Geng (“**Mr. Men**”) and Mr. Ding Chunlong (“**Mr. Ding**”), would establish Jilin Yuke to operate such business. Mr. Men and Mr. Ding were responsible for marketing and promotion of the private game room business. Mr. Men is an executive Director and is primarily responsible for overseeing the private game room business of our Group. Mr. Ding is a deputy general manager of the Group.

The Founders decided to hold their interests in Jilin Yuke via a limited partnership, Changchun Xinkele. Mr. Su was the general partner of Changchun Xinkele.

Upon establishment, Jilin Yuke had a registered capital of RMB10 million and was legally and beneficially held as to 88% by Changchun Xinkele, 6% by Mr. Men and 6% by Mr. Ding.

Changchun Xinkele was held by its partners as to 31.82% by Mr. Su (as general partner), 28.41% by Mr. Ding (as limited partner), 28.41% by Mr. Men (as limited partner) and 11.36% by Mr. Zhu Huaming (as limited partner). Pursuant to the 60-20-20 Principle, Mr. Su held 20% of his interest in Changchun Xinkele as beneficial owner, 60% as nominee for Mr. Wu and 20% as nominee for Mr. Jiang, and each of Mr. Men and Mr. Ding held his respective interest in Changchun Xinkele for Mr. Wu, Mr. Jiang and Mr. Su as to 60%, 20% and 20%, respectively, as follows:

- Of the 31.82% interest held by Mr. Su, 19.092% (being 60% of 31.82%) was held by Mr. Su as nominee for Mr. Wu, 6.364% (being 20% of 31.82%) was held by Mr. Su as nominee for Mr. Jiang and 6.364% (being 20% of 31.82%) was held by Mr. Su as beneficial owner.
- Of the 28.41% interest held by Mr. Men, 17.046% (being 60% of 28.41%) was held by Mr. Men as nominee for Mr. Wu, 5.682% (being 20% of 28.41%) was held by Mr. Men as nominee for Mr. Jiang and 5.682% (being 20% of 28.41%) was held by Mr. Men as nominee for Mr. Su.
- Of the 28.41% interest held by Mr. Ding, 17.046% (being 60% of 28.41%) was held by Mr. Ding as nominee for Mr. Wu, 5.682% (being 20% of 28.41%) was held by Mr. Ding as nominee for Mr. Jiang and 5.682% (being 20% of 28.41%) was held by Mr. Ding as nominee for Mr. Su.
- The Founders assigned the remaining interest in Changchun Xinkele to Mr. Zhu Huaming, a consultant of the Group, as legal and beneficial owner.

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In summary, the interests in Changchun Xinkele were held as follows:

Name	Economic interests in Changchun Xinkele		
	Legal interest	Beneficial interests	Interests held as nominee and for whom
Mr. Su	31.82%	6.364%	<ul style="list-style-type: none"> • 19.092% for Mr. Wu • 6.364% for Mr. Jiang
Mr. Ding	28.41%	0%	<ul style="list-style-type: none"> • 17.046% for Mr. Wu • 5.682% for Mr. Jiang • 5.682% for Mr. Su
Mr. Men	28.41%	0%	<ul style="list-style-type: none"> • 17.046% for Mr. Wu • 5.682% for Mr. Jiang • 5.682% for Mr. Su
Mr. Zhu Huaming	11.36%	11.36%	0%

Rationale for the nominee arrangements in Changchun Xinkele

Upon the Founders realizing the potential of the private game room business and having decided to establish a new operating entity to operate such business, and taking into consideration that Mr. Wu already serves as the representative shareholder in Jiaxiang Interactive and Mr. Jiang already serves as the representative shareholder in Jilin Xinze, the Founders agreed to designate Mr. Su as the representative shareholder of the Founders in Jilin Yuke, holding the interests pursuant to the 60-20-20 Principle. In addition, as the strategy adopted upon the establishment of Jiaxiang Interactive whereby certain key employees were named as stakeholder of the operating entity were proved to be successful, the Founders had designated Mr. Men and Mr. Ding, who are mainly responsible for marketing and promotion of the private game room business, to be named legal owners of Jilin Yuke.

As a new participant in such business, the Group conducted substantial marketing and promotion, mostly offline. To incentivize Mr. Men and Mr. Ding, strengthen their commitment to the Group and align their interests with the Group's, the Founders allocated each of them 6% equity interest in Jilin Yuke as legal and beneficial owner.

In June 2017, each of Mr. Men and Mr. Ding sold 1% of his equity interest in Jilin Yuke to Online Tuyou (Beijing) Technology Company Limited (“**Online Tuyou**”), a games company which the Group wished to bring in as a shareholder to provide advice on the private game room business, for a consideration of RMB920,000 each. Online Tuyou is a third party independent of our Group.

In December 2017, Jiaxiang Interactive acquired 100% of the equity interest in Jilin Yuke as part of the Reorganization. No consideration was paid for the acquisition of the 88.0% equity interest in Jilin Yuke beneficially owned by the Founders through Changchun Xinkele. Mr. Men's and Mr. Ding's respective direct beneficial interests in Jilin Yuke and Mr. Zhu Huaming's indirect beneficial interests in Jilin Yuke held through Changchun Xinkele have been reflected in their indirect shareholding in our

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Company. Jiayang Interactive paid Online Tuyou a consideration of RMB4,195,600 for the acquisition of its 2% equity interest. Such consideration was determined after arm's length negotiation between Jiayang Interactive and Online Tuyou with reference to, among others, the then net asset value and fair value of Jilin Yuke, historical performance of Jilin Yuke as well as future prospects of its business. The acquisition of the 2% equity interest from Online Tuyou was completed and the consideration for the acquisition had been irrevocably settled by Jiayang Interactive in March 2018. Upon completion of the acquisition, Jiayang Interactive holds the entire registered capital of RMB10 million in Jilin Yuke.

Beijing Yuke

We established Beijing Yuke in March 2017 to mainly focus on software development and technology services, which was neither restricted nor prohibited from foreign investments under relevant PRC laws and regulations. Upon establishment, Beijing Yuke had a registered capital of RMB10 million. Beijing Yuke has been a direct wholly-owned subsidiary of Jilin Yuke since establishment. In order to ensure that our Contractual Arrangements are, and will continue to remain, narrowly tailored, we transferred the entire equity interest in Beijing Yuke to an independent third party at a consideration of RMB57,158, which was determined with reference to the net asset value of Beijing Yuke as of June 30, 2018. Such transfer of equity interest in Beijing Yuke was completed in September 2018. As a result of such transfer and with an aim to retain our talents, each employee of Beijing Yuke as agreed with the independent third party to terminate his or her employment contract with Beijing Yuke prior to the transfer of Beijing Yuke and will enter into an employment contract with Homeland PRC.

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Each of Jiayang Interactive, Jilin Xinze and Jilin Yuke holds an ICP License and an Internet Cultural Business License required for the conduct of our business. We have, through our wholly-owned subsidiary, Homeland PRC, entered into a series of Contractual Arrangements with Jiayang Interactive, Jilin Yutai, Mr. Wu and Mr. Guo to exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiayang Interactive and its subsidiaries. For details of the Contractual Arrangements, see the section headed "Contractual Arrangements".

HISTORICAL COMMON CONTROL OF OUR GROUP

As set out above, from the establishment of Jilin Xinze, Jiayang Interactive and Jilin Yuke up to the time immediately before the Reorganization, (i) the Founders together and as parties acting in concert beneficially (through certain nominee arrangements) have held 100% of the interest in Jilin Xinze, 92% of the interest in Jiayang Interactive and an indirect effective interest of approximately 78.0% of the interest in Jilin Yuke through Changchun Xinkele, which is owned as to approximately 88.6% by the Founders and held 88% of the interest in Jilin Yuke, and (ii) of the interests held by the Founders, 60% was held by Mr. Wu, 20% by Mr. Jiang and 20% by Mr. Su. After the Reorganization and immediately prior to completion of the Global Offering, the Founders will together hold approximately 76.8% of the Company, which will effectively control Jiayang Interactive and its subsidiaries, including Jilin Xinze and Jilin Yuke, through the Contractual Arrangements.

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Since the establishment of the Group in November 2009, the Founders have cooperated as parties acting in concert to exercise control over the Group and to develop the business of the Group. They have made key decisions regarding the Group's strategies and plans, including the establishment of Jiayang Interactive and Jilin Yuke, collectively. Mr. Wu is the chairman of the Board and has been the chief executive officer of the Group since establishment, and was formerly also the chief operating officer of the Group. Mr. Jiang has been the chief operating officer of the Group since 2014, and was the chief technology officer of the Group prior to 2014. Mr. Su has been the chief investment officer of the Group since January 2018, and was responsible for overseeing the financial, legal and administrative matters of the Group until the Group recruited its current chief financial officer.

Despite the changes in the shareholding structure of Jilin Xinze, Jiayang Interactive and Jilin Yuke, there has been no material change in the beneficial interest of each Founder and each Founder has exercised control over the voting rights attaching to the equity interests held for him by his nominees or by him through his offshore holding vehicles. In particular, during the year ended December 31, 2017, being the most recent full audited financial year and up to the Latest Practicable Date, there has been no change in the beneficial interest of each of the Founders in Jilin Xinze, Jiayang Interactive and Jilin Yuke. Therefore, our Directors consider that our Company has fulfilled the ownership continuity and control requirement under Rule 8.05(1)(c) of the Listing Rules.

Furthermore, the actual dynamics between the Controlling Shareholders and the management of the Group are dominated by the Founders, who are the Controlling Shareholders owning approximately 76.8% of the Company in aggregate, have been the core team mainly responsible for the management of the Group and generating the Group's financial results and together as a group of controlling shareholders have been able to exert substantial influence on the other directors and management of the Group. The Founders have exercised control over the Group through cooperation with each other. The changes in the shareholding structure of Jilin Xinze, Jiayang Interactive and Jilin Yuke have not changed the control or influence of the Founders on the management of the Group.

As the Founders had established the Group together and shared an understanding as to the ownership of the Group, they had not perceived the need to execute legal documentation to reflect the various nominee arrangements. Further, each of Jilin Xinze, Jiayang Interactive and Jilin Yuke had historically paid dividends to its legal equity holders in proportion to their legal interests on the understanding that such dividends were to be held on behalf of the relevant beneficial owners of the equity interests in Jilin Xinze, Jiayang Interactive and Jilin Yuke and paid to the beneficial owners.

In September 2018, the Founders and the Group executed the Nominee Agreements and the Concert Parties Agreement to acknowledge and confirm the nominee arrangements in respect of Jilin Xinze, Jiayang Interactive and Jilin Yuke, and the legal equity holders of Jilin Xinze, Jiayang Interactive and Jilin Yuke to whom dividends were historically paid transferred such dividends to the shareholders of the Company (reflecting the beneficial interests of the Founders and other minority shareholders) in proportion to their historical beneficial interests in Jilin Xinze, Jiayang Interactive and Jilin Yuke.

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PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that the relevant equity transfers in respect of the members of our Group and the Reorganization as described in this section have been properly and legally completed and all PRC regulatory approvals have been obtained in accordance with PRC laws and regulations.

SAFE Circular 37

As disclosed in the section headed “Regulatory Overview — Regulation Relating to Foreign Exchange — Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents”, SAFE Circular 37 requires PRC residents to register with local branches of SAFE with regard to their establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to, among others, the special purpose vehicle, the domestic individual resident shareholder, the operating period, capital and merger or division events.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Circular 13”) promulgated by the SAFE, which became effective on June 1, 2015, the SAFE registration was delegated from local SAFE branches to local banks.

Our PRC Legal Advisor has confirmed that each of the Founders and each other ultimate shareholder of the offshore holding vehicles holding our Shares as of the date of this prospectus, being PRC nationals, has duly registered in respect of his investment in our Group and as a result of the Reorganization of our Group in accordance with SAFE Circular 37 and SAFE Circular 13 in March 2018.

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INTRODUCTION

We are primarily engaged in the development and operation of online card and board games business, with proprietary integrated mobile game platforms supporting 72 mobile applications, offering 508 game products, which include 469 localized variations of Mahjong, 34 poker game variations and 5 casual games developed and operated by us (the “**Principal Business**”). Hence we are considered to be engaged in the provision of value-added telecommunications services (which includes information services provided via mobile network) and Internet cultural business (which includes the production or operation of mobile games operated through information networks). Each of Jiayang Interactive and its subsidiaries, namely Jilin Xinze and Jilin Yuke, holds the relevant licenses, including the value-added telecommunications license (增值電信業務經營許可證) (“**ICP License**”) and the Internet cultural business license (網絡文化經營許可證), required for carrying out the above services and operating the aforementioned businesses.

Foreign investment activities in the PRC are mainly governed by the Guidance Catalog of Industries for Foreign Investment (the “**Catalog**”), which has been promulgated and amended from time to time jointly by the MOFCOM and the National Development and Reform Commission (the “**NDRC**”). The Catalog divides industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories). On June 28, 2018, NDRC and MOFCOM promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單) (2018年版)》) (the “**Negative List**”), which entered into force from July 28, 2018. The Negative List has superseded the categories of “restricted” and “prohibited” for foreign investment as provided in the Catalog, consolidated such prohibitions/restrictions into one list and provided tailor-made special administrative measures for each of the industries under the Negative List. Foreign investors shall not invest in any of the “prohibited” industries specified in the Negative List. If they intend to invest in other sectors that are not prohibited, in another words, the “restricted” industries, they must obtain the requisite permit for access of foreign investments.

Our PRC Legal Advisor, Han Kun Law Offices, confirmed that (i) each of Jiayang Interactive and its subsidiaries (the “**PRC Operating Entities**”) is required to hold an Internet cultural business license for the business of operation of online mobile games, a sector where foreign investment is prohibited according to the Negative List and (ii) each PRC Operating Entity is also required to hold an ICP License in order to conduct the value-added telecommunication services as the business of operation of online mobile games falls within the scope of value-added telecommunications services, a sector where foreign investment is subject to pre-approval and not allowed to hold more than 50% equity interests in any enterprise conducting such business according to the Negative List. The Circular on Implementation of Newly Revised Interim Administrative Provisions on Internet Culture (關於實施新修訂《互聯網文化管理暫行規定》的通知) issued by the MOC provides that the authorities shall not accept applications by foreign-invested Internet information services providers for conducting business of Internet culture activities (other than music). The Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》) (the “**Internet Culture Interim Provisions**”) issued by the MOC provides that “Internet culture activities” shall include, inter alia,

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production of Internet Culture Products, and “Internet Culture Products” include, inter alia, online games developed and produced specifically for online publication and operation. As advised by our PRC Legal Advisor, given the nature of our Group’s online game business, the development of online games falls within the meaning of production of Internet culture products regulated by the Internet Culture Interim Provisions. Therefore, the development of online games is an “Internet culture activity” where foreign ownership is not allowed pursuant to the Circular on Implementation of Newly Revised Interim Administrative Provisions on Internet Culture (關於實施新修訂《互聯網文化管理暫行規定》的通知).

Pursuant to applicable PRC laws and regulations domestic telecommunication enterprises are prohibited from leasing, transferring or selling their licenses to foreign investors in any form and as advised by our PRC Legal Advisor as aforementioned, each PRC Operating Entity must concurrently hold an Internet cultural business license and an ICP License. Accordingly, from the perspective of operating the online mobile games in compliance with applicable PRC laws and regulations, our Company is currently unable to establish a sino-foreign equity joint venture to obtain both an Internet cultural business license and an ICP License for operation of our Principal Business and we cannot acquire equity interest in PRC Operating Entities, which conducts our Principal Business and holds the assets and certain licenses, approvals and permits required for the operation of our Principal Business. For further details of the limitations on foreign ownership in PRC companies operating mobile game platform, value-added telecommunications services, Internet cultural business and the licensing and approval requirements applicable to our Principal Business under PRC laws and regulations, please refer to the section headed “Regulatory Overview” in this prospectus.

As a result of the foregoing and in preparation for the Listing and upon the completion of the Reorganization, we, through our wholly-owned subsidiary, Homeland PRC, entered into a series of contractual arrangements with each of Jiexiang Interactive and Jilin Yutai, being the registered shareholder of Jiexiang Interactive, and to assert management control over the operations of our Principal Business conducted through Jiexiang Interactive and its subsidiaries, and to enjoy all economic benefits of Jiexiang Interactive and its subsidiaries. The agreements underlying such contractual arrangements with Jiexiang Interactive and Jilin Yutai include: (i) Exclusive Business Cooperation Agreement, (ii) Exclusive Call Option Agreement and (iii) Equity Pledge Agreement (the “**Contractual Arrangements**”). Moreover, Jilin Yutai had also executed an irrevocable Power of Attorney appointing Homeland PRC as its proxy to exercise on its behalf of shareholder rights in Jiexiang Interactive.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of Jiexiang Interactive and its subsidiaries will be instructed and supervised by our Group, through Homeland PRC, and all risks arising from the business of Jiexiang Interactive and its subsidiaries are also effectively borne by our Group as a result of Jiexiang Interactive and its subsidiaries being treated as wholly-owned subsidiaries of our Group. Accordingly, our Directors consider that as the Contractual Arrangements were freely negotiated and entered into among parties thereto, it is fair and reasonable for Homeland PRC to be entitled to all economic benefits generated by the business

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operated by Jiexiang Interactive through the Contractual Arrangements as a whole. In addition, our Directors are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations and would allow and ensure sound and effective operation of our Company and our Principal Business in compliance with applicable PRC laws and regulations, which has been adopted by a number of other companies to accomplish the same purpose. Accordingly, our Directors consider that such transactions, which have been and shall be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better, are fair and reasonable, or advantageous, so far as our Group is concerned and are in the best interest of our Company and Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of Jiexiang Interactive and its subsidiaries are consolidated into our Group's financial statements as subsidiaries, and the flow of economic benefit of their business to our Group pursuant to the Contractual Arrangements, would also be in the best interest of our Company. During the Track Record Period, substantially all of the operating assets were held by Jiexiang Interactive and its subsidiaries and all operating staff and employees, including but not limited to, staff in our business development and operations department, were employed by Jiexiang Interactive and its subsidiaries. In addition, during the Track Record Period, the revenue generated by Jiexiang Interactive and its subsidiaries represents all consolidated revenue of our Group.

As confirmed by our PRC Legal Advisor, the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to carry out online games development business, which is an "Internet culture activity" where foreign ownership is not allowed pursuant to the Circular on Implementation of Newly Revised Interim Administrative Provisions on Internet Culture (關於實施新修訂《互聯網文化管理暫行規定》的通知), and conduct the Internet Cultural business and the value-added telecommunications services, which are prohibited and restricted respectively from foreign investment for the reasons mentioned above.

Qualification Requirements

On December 11, 2001, the State Council promulgated 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**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on

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the application requirement. Our PRC Legal Advisor has advised us that as of the Latest Practicable Date, (i) this guidance memorandum does not have the regulatory effect equivalent to PRC laws and regulations and (ii) no other applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been working on the plan of gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Jiaxiang Interactive when the relevant PRC laws allow foreign investors to invest and to directly hold equity interest in value-added telecommunications and internet cultural enterprises in China. For the purposes of meeting the Qualification Requirements, we are in the process of establishing and accumulating overseas operation experience, including, in particular:

- Homeland HK, our Hong Kong subsidiary, has been incorporated in Hong Kong on June 4, 2018 for the purpose of establishing and expanding our operations overseas;
- Homeland HK has applied for registration of a trademark outside of the PRC in August 2018, with an aim to apply such trademarks for the promotion of certain of our mobile games in Hong Kong and overseas;
- we have offered our casual game, Blaster (微樂愛消除), for download by users in Hong Kong in May 2018 and plan to offer our other casual games, such as Fishing Strike (捕魚) and Crazy Cowboy (瘋狂牛仔), in the near future; and
- we plan to set up an oversea website to help overseas investors and website visitors to better understand our service and business.

We expect that the aggregate expenditures incurred and to be incurred for the exploration and extension of our overseas operations will amount to approximately RMB20 million.

Our PRC Legal Advisor conducted interviews with the relevant government authorities, being the Fujian Communications Administration of MIIT and Jilin Communications Administration of MIIT, during which they confirmed that there is no clear definitions or criteria of the Qualification Requirements, and the Qualification Requirements can only be considered on a case by case basis.

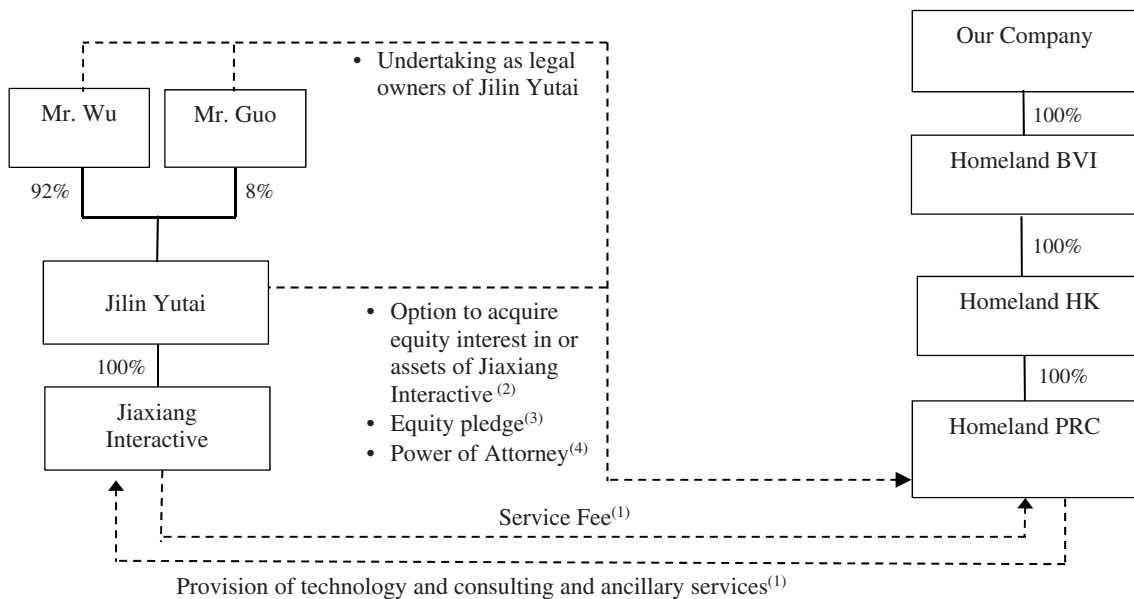
The Fujian and Jilin Communications Authorities are competent government authorities for the supervision of our telecommunications value-added services in which we operate; and the officials consulted in the interviews are competent and authorized persons empowered with powers to implement the relevant laws, regulations and rules of the PRC promulgated by the MIIT and to make the relevant oral confirmation. Based on the foregoing and subject to the discretion of the competent authorities and a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations on whether the Group has fulfilled the Qualification Requirements,

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our PRC Legal Advisor is of the view that the above steps taken by us are reasonable and appropriate in satisfying the Qualification Requirements. We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements. Nevertheless, as advised by our PRC Legal Advisor, even if we have taken the above steps with the aim to meet the Qualification Requirements, each of the PRC Operating Entities conducting the Principal Business must also concurrently hold the ICP License and the Internet cultural business license, which prohibits foreign investments, and as confirmed by the competent government authorities, no procedures or guidance is available and no approval will be given for foreign investment in domestic enterprises holding ICP License.

Diagram of the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Jiaxiang Interactive to our Group stipulated under the Contractual Arrangements:



Notes:

1. Please refer to the section headed "Exclusive Business Cooperation Agreement" below.
2. Please refer to the section headed "Exclusive Call Option Agreement" below.
3. Please refer to the section headed "Equity Pledge Agreement" below.
4. Please refer to the section headed "Power of Attorney" below.

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DETAILS OF THE AGREEMENTS UNDERLYING THE CONTRACTUAL ARRANGEMENTS

Exclusive Business Cooperation Agreement

Homeland PRC and Jiaxiang Interactive entered into an Exclusive Business Cooperation Agreement on September 24, 2018, pursuant to which Jiaxiang Interactive agreed to engage Homeland PRC as its exclusive consultant and service provider. The advice and services which Homeland PRC shall provide to Jiaxiang Interactive and its subsidiaries include, but are not limited to, (i) permission to use certain software, (ii) design, development, maintenance and updating of software and network technology and provision of related technical consultation and technical services, (iii) design, installation, daily management, maintenance and updating of network system, hardware and database design, (iv) technical support and training to employees, (v) consultancy, collection and research of technology and market information (excluding market research business that wholly-foreign-owned enterprises are prohibited from conducting under PRC law), (vi) business management consultation, (vii) marketing and promotion services, (viii) customer management and customer services, (ix) leasing of equipment or properties, (x) other service areas. In addition, Homeland PRC shall have the exclusive and proprietary rights to all intellectual properties arising from and developed during and as a result of the performance of the consulting and advisory services. Homeland PRC shall have the exclusive and proprietary rights to use all such intellectual properties which Homeland PRC, Jiaxiang Interactive or any of its subsidiaries (as the case may be) has developed during the term of the Exclusive Business Cooperation Agreement.

Pursuant to the Exclusive Business Cooperation Agreement and subject to compliance with applicable PRC laws, Jiaxiang Interactive shall pay to Homeland PRC a service fee that equals to 100% of the total consolidated profit of Jiaxiang Interactive and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, operating costs, expenses, tax and other statutory contributions of Jiaxiang Interactive and its subsidiaries in any given year. Homeland PRC is also entitled to adjust the service fee payable by Jiaxiang Interactive based on the actual business conditions, operations and development needs of Jiaxiang Interactive.

It is also stipulated in the Exclusive Business Cooperation Agreement that Homeland PRC shall enjoy all economic benefits of, and bear all risks arising from, the conduct of business by Jiaxiang Interactive and its subsidiaries. In the event that Jiaxiang Interactive incurs any operating loss or experiences serious difficulties in its operations, Homeland PRC shall provide financial support to Jiaxiang Interactive, to the extent permitted under PRC laws, to ensure that Jiaxiang Interactive could meet its daily operating cash flow requirements and/or for the purpose of offsetting any operating loss incurred. Homeland PRC shall have the right to request Jiaxiang Interactive to cease its operations, and Jiaxiang Interactive shall unconditionally accept the requests of Homeland PRC. On the other hand, pursuant to the Exclusive Business Cooperation Agreement, without the prior written consent from Homeland PRC, Jiaxiang Interactive shall not accept the same or similar consulting and services provided by any other third parties during the term of the Exclusive Business Cooperation Agreement. Homeland PRC may appoint other parties, who may enter into certain agreements with the PRC Operating Entities, to provide the PRC Operating Entities with the services under the Exclusive Business Cooperation Agreement.

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Jiaxiang Interactive shall procure each of its subsidiaries to strictly comply with the terms of the Exclusive Business Cooperation Agreement as if it were a party to such agreements.

The Exclusive Business Cooperation Agreement is effective from the date of agreement. The Exclusive Business Cooperation Agreement may be terminated by Homeland PRC by giving Jiaxiang Interactive prior written notice of termination or shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Jiaxiang Interactive to Homeland PRC or its designated person(s) pursuant to the applicable PRC laws and regulations. Jiaxiang Interactive is not contractually entitled to terminate the Exclusive Business Cooperation Agreement with Homeland PRC.

Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Jiaxiang Interactive to flow to Homeland PRC and hence, our Group as a whole. As of the Latest Practicable Date, Homeland PRC has deployed appropriate facilities and personnel to oversee the operation and management of Jiaxiang Interactive, drive the key business decision-making processes and provide overall business advice and consulting services as required to be provided to Jiaxiang Interactive and its subsidiaries pursuant to the Exclusive Business Cooperation Agreement, whilst Jiaxiang Interactive and its subsidiaries are mainly responsible for the operations of the integrated mobile game platform and to hold all operating assets for the purpose of operating the Principal Business to ensure compliance with relevant PRC laws and regulations with respect to the restriction on foreign investment in entity operating integrated mobile game platform and the conditions of the relevant ICP and operating licenses granted to Jiaxiang Interactive and its subsidiaries. Our Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Homeland PRC and Jiaxiang Interactive under the Contractual Arrangements and also ensure sound and effective operation of our Group in compliance with the Contractual Arrangements and applicable laws and regulations.

Exclusive Call Option Agreement

Homeland PRC, Jilin Yutai and Jiaxiang Interactive entered into an Exclusive Call Option Agreement on September 24, 2018, pursuant to which Jilin Yutai and Jiaxiang Interactive jointly and severally granted to Homeland PRC (exercisable by itself or its designated person(s)) irrevocable options to (i) purchase, to the extent permitted by PRC laws and regulations, the equity interests in Jiaxiang Interactive, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations, and where PRC laws and regulations require valuation of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations, or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Jiaxiang Interactive at the minimum purchase price permitted under PRC laws and regulations, and where PRC laws and regulations require valuation of the assets, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations. Homeland PRC (by itself or any of its designee as specified above) may exercise such options, fully or partially, at any time, subject to applicable PRC laws and regulations. It was also agreed that Homeland PRC shall have the right to forthwith exercise the option granted under the Exclusive Call Option Agreement when relevant PRC laws and regulations permit the equity interests of Jiaxiang Interactive to be directly held by Homeland PRC

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while Jiexiang Interactive continues to legally operate the Principal Business. In addition, Jilin Yutai and/or Jiexiang Interactive have agreed to return any proceeds it/they will receive in the event that the call option to acquire the equity interests in and/or assets of Jiexiang Interactive is exercised to Homeland PRC.

Pursuant to the Exclusive Call Option Agreement, Jiexiang Interactive has undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (i) not to supplement, modify or amend its constitutional documents, alter the registered capital or change the registered capital structure of Jiexiang Interactive without the prior written approval from Homeland PRC;
- (ii) prudently and effectively operate and manage the business and corporate matters of Jiexiang Interactive, and to ensure their existence, in accordance with the good business standards and practice, and maintain all necessary licenses and permits;
- (iii) not to sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of the income of Jiexiang Interactive (save for assets with value less than RMB500,000 and as required in the ordinary course of business) or allow any security interest to be created on its assets of Jiexiang Interactive without the prior written approval from Homeland PRC;
- (iv) not to incur, take up, guarantee or allow any indebtedness without the prior written approval from Homeland PRC (save for those in the ordinary course of business and having been disclosed to and consented by Homeland PRC in writing);
- (v) to operate the business of Jiexiang Interactive within the normal business scope in order to maintain its asset value, and refrain from any acts or omission which may adversely affect its business or assets value;
- (vi) not to enter into any material contracts with an amount of over RMB500,000 (other than those entered in the ordinary course of business) without the prior written approval from Homeland PRC;
- (vii) not to lend or provide any financing to any other third party without the prior written approval from Homeland PRC;
- (viii) to provide all operating and financial information of Jiexiang Interactive to Homeland PRC upon request;

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- (ix) where possible, Jiayang Interactive shall purchase and maintain such insurance with insurers acceptable by Homeland PRC, with insurance coverage in line with insurance generally maintained by companies within the same region and engaging in similar business and owning similar properties or assets as Jiayang Interactive;
- (x) not to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Homeland PRC;
- (xi) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to the assets, business or income of Jiayang Interactive;
- (xii) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to maintain the ownership of all of its assets by Jiayang Interactive;
- (xiii) not to distribute any dividend, distributable profits and/or any assets to any shareholder without the prior written approval from Homeland PRC. If the relevant shareholder receives any such dividends, distributable profits and/or other assets with approval from Homeland PRC, such shareholder shall transfer such benefits received by him/her/it to Homeland PRC in ten business days upon receipt of the same at nil consideration;
- (xiv) upon request of Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jiayang Interactive;
- (xv) unless otherwise required by PRC law, Jiayang Interactive shall not be dissolved or liquidated without the prior written consent from Homeland PRC;
- (xvi) in the event that Jilin Yutai or Jiayang Interactive fails to comply with its tax obligations under applicable PRC laws which hinders the exercise of the options under the Exclusive Call Option Agreement, Homeland PRC is entitled to demand Jiayang Interactive and Jilin Yutai to pay all relevant taxes and comply with all tax obligations; and
- (xvii) Jiayang Interactive shall procure each of its subsidiaries to strictly comply with the terms of the Exclusive Business Cooperation Agreement as if it were a party to such agreements.

Jilin Yutai has further undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (i) save for the equity pledge in favor of Homeland PRC created under the Equity Pledge Agreement, Jilin Yutai shall not allow any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any of their legal or beneficial equity interests held in Jiayang Interactive without the prior written approval from Homeland PRC;

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- (ii) save for the equity pledge in favor of Homeland PRC created under the Equity Pledge Agreement, Jilin Yutai shall not approve at the shareholders' meeting of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive not to approve any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any legal and beneficial equity interests in or assets of Jiaxiang Interactive without the prior written approval from Homeland PRC;
- (iii) not to approve at the shareholders' meeting of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive not to approve, any mergers or acquisitions or make investment in any entities by Jiaxiang Interactive, without the prior written approval from Homeland PRC;
- (iv) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to its equity interest in Jiaxiang Interactive;
- (v) approve and vote in favor of the shareholders' resolutions of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive to approve and vote in favor of any resolutions of Jiaxiang Interactive, concerning the transfer of equity interests and assets pursuant to the Exclusive Call Option Agreement, and take any other action upon the request of Homeland PRC;
- (vi) Jilin Yutai shall execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary appropriate defenses against any charges or claims in order to safeguard the equity interests held by it;
- (vii) upon request from Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jiaxiang Interactive;
- (viii) if Jilin Yutai receives any dividends, distributable profits and/or other assets from Jiaxiang Interactive, Jilin Yutai shall transfer such benefits received by it at nil consideration to Homeland PRC or any of its designated persons;
- (ix) not to engage in any business which competes, or likely competes, with the business of our Group; and
- (x) to strictly comply with the terms of the Exclusive Call Option Agreement and any other agreements entered into among Homeland PRC, Jilin Yutai and Jiaxiang Interactive and earnestly fulfill their respective obligations under such agreements and not to take, or omit to take, any actions which may affect the validity and enforceability of these agreements. In any event where Jilin Yutai retains any rights in the equity interests under this Exclusive Call Option Agreement, the Equity Pledge Agreement signed by the parties to the Exclusive Call Option Agreement, or the Power of Attorney in favor of Homeland PRC, Jilin Yutai shall not exercise such rights without the prior written approval from Homeland PRC.

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The Exclusive Call Option Agreement shall expire when all the equity interests in or assets of Jiayang Interactive have been transferred to Homeland PRC or its designee as specified above, unless and until Homeland PRC terminates the Exclusive Call Option Agreement.

To ensure that Jilin Yutai duly discharges their obligations under the Contractual Arrangements, pursuant to the Exclusive Call Option Agreement, Jilin Yutai has already executed an irrevocable power of attorney and deposit such power of attorney at Homeland PRC, so that Homeland PRC or its designee can be appointed as proxy of Jilin Yutai to execute the equity transfer agreements with respect to their respective shareholding in Jiayang Interactive or the asset transfer agreements with respect to the assets of Jiayang Interactive and other ancillary documents concerning such transfer(s) and to handling and obtain all relevant approval and registration required under applicable laws and regulations in the event that Jilin Yutai fails to discharge its obligations under the Contractual Arrangements.

Equity Pledge Agreement

Homeland PRC, Jilin Yutai and Jiayang Interactive entered into the Equity Pledge Agreement on September 24, 2018, pursuant to which Jilin Yutai agreed to pledge all of its equity interests in Jiayang Interactive to Homeland PRC to secure performance of all its obligations and the obligations of Jiayang Interactive under the agreements underlying the Contractual Arrangements. If Jilin Yutai breaches or fails to fulfill the obligations under any of the agreements underlying the Contractual Arrangements, Homeland PRC, as the pledgee, will be entitled to foreclose the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, Jilin Yutai has undertaken to Homeland PRC, among other things, not to transfer or otherwise dispose its equity interests in Jiayang Interactive and not to create or allow any pledge thereon that may affect the rights and interest of Homeland PRC without its prior written consent.

Under the Equity Pledge Agreement, Jilin Yutai also represents and warrants to Homeland PRC that appropriate arrangements have been made to protect Homeland PRC's interests in the event of liquidation, bankruptcy or termination of Jilin Yutai or any circumstances that may affect its exercise of the shareholders' rights to avoid any practical difficulties in enforcing the Equity Pledge Agreement.

Moreover, if Jiayang Interactive declares any dividend or distribute any income during the term of the pledge, Homeland PRC is entitled to receive all such dividends or other income arising from the pledged equity interests, if any. It is also agreed that in the event that Jilin Yutai subscribed for or acquired additional equity interest in Jiayang Interactive, then the additional equity interest acquired or subscribed for by Jilin Yutai shall also be pledged in favor of Homeland PRC pursuant to the Equity Pledge Agreement.

The Equity Pledge Agreement shall terminate when Jiayang Interactive has fulfilled and performed all obligations under the agreements underlying the Contractual Arrangements or upon the termination of the agreements underlying the Contractual Arrangements. Furthermore, the Equity Pledge Agreement shall terminate upon the liquidation and dissolution of Jiayang Interactive pursuant

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to PRC laws and regulations and upon which Jiexiang Interactive and Jilin Yutai shall sell all assets, including equity interests, to Homeland PRC, at nil consideration or the minimum price permitted by PRC laws and regulations, to the extent permitted by PRC laws and regulations, or the then designated liquidator shall dispose of all of the assets including equity interests, in order to protect the interests of shareholders and/or creditors of the direct or indirect offshore parent company of Homeland PRC.

Pursuant to the PRC Company Law, a PRC Operating Entity should be liquidated if it was dissolved due to any one of the following reasons: (a) expiry of the term of operation stipulated in the articles of association of the company or occurrence of an event which triggers the dissolution as provided in the articles of association of the company; (b) a resolution on dissolution has been passed by the board of shareholders or a shareholders' general meeting; (c) the business licence is revoked or the company is ordered to be closed down; (d) where the company experiences serious difficulties in its business and the shareholders will suffer serious damages if the company continues its operation, a shareholder or a group of shareholders holding 10% or more of the shares of the company may, in the absence of any other means, request for a mandatory dissolution of the company by the People's Court.

The process in the event of liquidation of the PRC Operating Entities shall be as follows:

- Where a PRC Operating Entity is dissolved under the above circumstances, a liquidation group shall be established to commence liquidation within 15 days from the occurrence of the event which triggers the dissolution. The liquidation group of the PRC Operating Entity shall be formed by its shareholders.
- Where the liquidation group is not established by the deadline to conduct liquidation, the creditors may apply to the People's Court to appoint a liquidation group to conduct liquidation. The People's Court shall accept the application and form a liquidation group promptly to conduct liquidation.

Dissolution and liquidation of the PRC Operating Entities, unless mandatory under PRC laws, shall be approved by Homeland PRC in writing pursuant to the Contractual Arrangements.

For the potential impact of liquidation of the PRC Operating Entities on our Group, please refer to the paragraph headed "We may lose the ability to use and enjoy assets held by our PRC Operating Entities that are material to our business operations if our PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding" in the Risk Factors section in this prospectus.

On March 8, 2019, the pledge of the equity interests under the Equity Pledge Agreement has been registered with the relevant PRC authority as required by the relevant PRC laws and regulations.

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Power of Attorney

On September 24, 2018, Jilin Yutai executed an irrevocable Power of Attorney appointing a director of any direct or indirect shareholder of Homeland PRC or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen as proxy of Jilin Yutai to exercise all of its shareholder's rights in Jiaxiang Interactive. Pursuant to the Power of Attorney, the individual to be appointed as Jilin Yutai's proxy shall exclude Jilin Yutai and its registered shareholders, any other shareholders of Jiaxiang Interactive and any of their associates. Pursuant to the Power of Attorney, the shareholders' rights exercisable by the proxy include, but not limited to, the rights to (i) convene and attend shareholders' meetings and pass any shareholders' resolution of Jiaxiang Interactive, (ii) exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Jiaxiang Interactive, including but not limited to the exercise of voting rights in shareholders' meetings, (iii) sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Jiaxiang Interactive by Jilin Yutai, (iv) nominate, elect, designate, appoint or remove the legal representative, directors, supervisors, general manager, chief financial officer and other senior officers of Jiaxiang Interactive, (v) oversee the operating performance of Jiaxiang Interactive, approve its annual budget or declare dividends, and inspect the financial information of Jiaxiang Interactive at any time, (vi) execute and deliver any documents, written resolutions, minutes of meetings, (vii) approving the submission of any registration documents to competent government authorities (including relevant companies registry),(viii) exercise all shareholders' rights and vote as Jilin Yutai in the event of dissolution or liquidation of Jiaxiang Interactive, (ix) filing a lawsuit against such directors as Jilin Yutai or taking other legal actions against any director or manager of Jiaxiang Interactive acting in a manner adversely affecting the interests of Jiaxiang Interactive and (x) approving amendments to the articles of association. The proxy is also authorized to enter into and execute any equity transfer agreement upon the exercise of the call option granted under the Exclusive Call Option Agreement and to secure performance of the other agreements underlying the Contractual Arrangements for and on behalf of Jilin Yutai.

Under the Power of Attorney, Jilin Yutai irrevocably confirmed that the power of attorney shall remain in full force and effect during the term which Jilin Yutai remains as a shareholder of Jiaxiang Interactive. Jilin Yutai further confirmed and undertook that in the event of liquidation, dissolution and any circumstances which would affect it to exercise its shareholder's rights in Jiaxiang Interactive, any of its successors, controllers or beneficial owners of Jilin Yutai shall be deemed as a party to the Power of Attorney and thereby subject to all obligations of Jilin Yutai under the Power of Attorney. The Proxy shall have the right to re-designate the power of attorney to any other individuals or entities without requiring prior notice to or consent from Jilin Yutai.

Our Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Jilin Yutai for the purpose of exercising any of their shareholders' rights under the Power of Attorneys shall be restricted to an authorized director of our Company or a legally-held subsidiary (whom shall own fiduciary duties to us). Our Board will also ensure that no rights shall be granted to any other third parties outside of our Group which does not owe any fiduciary duties to our Company. In view of the proposed corporate and management structure of our

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Group upon Listing, it is proposed that any one of Men Geng (an executive Director), and Mr. Yu Ronald Patrick Lup Man, Zhang Yuguo or Hu Yangyang (each an independent non-executive Director), each of whom is independent of Jilin Yutai and its respective associates, may be designated to act as the proxy pursuant to the Power of Attorney.

UNDERTAKING FROM THE ULTIMATE LEGAL OWNERS OF JILIN YUTAI

Each of the ultimate legal owners of Jilin Yutai, namely Mr. Wu (who holds 92% equity interests in Jilin Yutai) and Mr. Guo (who holds 8% equity interests in Jilin Yutai), has provided a written undertaking to Homeland PRC to irrevocably undertake that he shall:

- (i) not sell, transfer, create encumbrances or other third party rights or otherwise dispose of any equity interests in Jilin Yutai legally held by him;
- (ii) not approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai not to approve, any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any equity interests in Jilin Yutai legally held by him without the prior written approval from Homeland PRC;
- (iii) not approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai not to approve, Jilin Yutai to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Homeland PRC;
- (iv) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to the equity interests he held in Jilin Yutai and take all actions reasonably requested by Homeland PRC to defend such proceedings;
- (v) approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai to approve, all actions necessary to be taken by Jilin Yutai in satisfaction and fulfill its obligations under Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement and the Equity Pledge Agreement under the Contractual Arrangements;
- (vi) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to maintain the ownership of his equity interest in Jilin Yutai;
- (vii) upon request of Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jilin Yutai;
- (viii) if he receives any dividends, distributable profits and/or other assets from Jilin Yutai, he shall transfer such benefits received by it at nil consideration to Homeland PRC or any of its designated persons;

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- (ix) not to engage in any business which competes, or likely competes, with the businesses of Homeland PRC, Jiayang Interactive, Jilin Yutai and any of their respective affiliates; and
- (x) strictly abide with all the aforementioned undertakings and procure Jilin Yutai to fulfill all its obligations under the Contractual Arrangements, and that he will not carry out any act that may affect or hinder the fulfillment of Jilin Yutai's obligations under each of the agreements underlying the Contractual Arrangements to which Jilin Yutai is a party.

Each of Mr. Wu and Mr. Guo also confirms that each of his successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his equity interest in Jilin Yutai, and therefore his indirect interest in Jiayang Interactive and its subsidiaries, will be deemed as executing party to the said written undertaking and inherit all his rights and obligations thereunder upon his death, incapacity, divorce or its liquidation, bankruptcy or dissolution or any other circumstances that may affect his ability to exercise his shareholder's rights in Jilin Yutai.

DISPUTE RESOLUTION UNDER THE CONTRACTUAL ARRANGEMENTS

Each of the agreements underlying the Contractual Arrangement stipulates that in the event of any dispute arising out of or in relation to the agreements underlying the Contractual Arrangements, the parties shall first negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the written resolution of such dispute within 30 days, any party may submit such dispute to the CIETAC for arbitration in accordance with its arbitration rules. The arbitration shall be conducted in Beijing, and the arbitration award shall be final and binding on all relevant parties.

In addition, pursuant to the dispute resolution clause, the arbitral tribunal may award remedies over the equity interests or assets of Jiayang Interactive, including restrictions over the conduct of business, restrictions or prohibitions over transfer or disposal of the equity interests or assets or order the winding up of Jiayang Interactive, and the courts of the PRC (being the place of incorporation of Jiayang Interactive and the place where our Company's and Jiayang Interactive's principal assets are located), Hong Kong and the Cayman Islands (being the place of incorporation of our Company) shall have jurisdiction to grant and/or enforce the arbitral award and to grant interim remedies over the equity interests or assets of Jiayang Interactive.

Our PRC Legal Advisor confirms that the aforementioned dispute resolution provisions set forth in the agreements underlying the Contractual Arrangements are in compliance with the PRC laws, legally valid and binding on the relevant signatories. However, our PRC Legal Advisor is also of the opinion that the aforementioned provisions may not be enforceable under PRC laws. For instance, CIETAC has no power to grant such injunctive relief, nor will it be able to order the winding up of Jiayang Interactive under current PRC laws. In addition, interim remedies or enforcement orders granted by courts in an overseas jurisdiction, such as Hong Kong and the Cayman Islands, may not be recognized or enforceable in the PRC, and Homeland PRC may only seek interim remedies or enforcement from competent PRC courts. As a result, in the event that Jiayang Interactive or Jilin Yutai breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies

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in a timely manner, and our ability to exert effective control over Jiaxiang Interactive and its subsidiaries and conduct our business, as well as our financial conditions and results of operations, could be materially and adversely affected. Please also see the section headed “Risk Factors — Risks Relating to Our Contractual Arrangements — We conduct our business operation in the PRC through PRC Operating Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”.

Operations in compliance with the Contractual Arrangements

Our Group will adopt the following measures to ensure legal and regulatory compliance and to ensure the sound and effective operation of our Group (including Jiaxiang Interactive and its subsidiaries) and the implementation of the Contractual Arrangements upon Listing:

- (i) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by our Board after Listing;
- (ii) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;
- (iii) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of our Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;
- (iv) the company seals, financial seals, contract seals and crucial corporate certificates of Jiaxiang Interactive and its subsidiaries are kept by our Group’s finance department. Any employee of our Group who wishes to use the seals will have to obtain internal approval from the business, legal and/or finance department(s) (as the case may be) of our Group, as well as approval from relevant department head and vice president and the chief executive officer of our Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed. The business, legal and/or finance departments constitute our Group’s central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of Homeland PRC or our Company;
- (v) because the Contractual Arrangements will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver, details of which is set out in the section headed “Continuing Connected Transactions” in this prospectus. Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;

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- (vi) if necessary, legal advisors and, or other professionals will be retained to assist our Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations;
- (vii) our independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in our annual report;
- (viii) to avoid potential conflicts of interest, our Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Homeland PRC and Jilin Yutai for the purpose of exercising any of the rights originally granted to Homeland PRC and/or such designee under the Contractual Arrangements shall be restricted to a legally-held subsidiary of our Company (and which will be under the management control of our Company) or an authorized director of our Company or a legally-held subsidiary (whom shall own fiduciary duties to us) and shall exclude Jilin Yutai, any other shareholders of Jiaxiang Interactive and any of their associates. Our Board will also ensure that no rights shall be granted to any other third parties outside of our Group which does not owe any fiduciary duties to our Company;
- (ix) our Board (including the independent non-executive Directors) will ensure that Homeland PRC will only approve and consent to the relevant operating entity carrying out our Principal Business and ancillary business which would otherwise be prohibited or restricted to be carried out by foreign invested entities under relevant PRC laws and regulations;
- (x) our Board (including the independent Directors) will ensure that Jiaxiang Interactive and its subsidiaries shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Homeland PRC or any other legally held member of our Group shall be the registered owner of any other newly developed and non-game related trademarks which will be material to the business of our Group; and
- (xi) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Principal Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Principal Business to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

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To ensure that Jilin Yutai and Jiayang Interactive will comply with the Contractual Arrangements, we have decided to further introduce the following measures:

- (i) the three independent non-executive Directors will continue to play an independent role in our Board by reviewing the effective implementation of the procedures and controls referred to above and compliance of our Contractual Arrangements; and
- (ii) going forward, each of Mr. Wu, Mr. Jiang, Mr. Su and Mr. Guo, being executive Directors and senior management of our Company, respectively, and the legal and beneficial owners of Jilin Yutai, shall abstain from voting on any resolutions at any board meeting or shareholders' meeting of our Company or Jiayang Interactive (as the case may be) in which he may have conflict of interest; and
- (iii) in the event of the occurrence of a conflict of interests (where Homeland PRC has the sole absolute discretion to determine whether such conflict arises), Jilin Yutai shall take appropriate measures upon the consent of Homeland PRC and its designee to eliminate such conflicts, failing which Homeland PRC may exercise, to the extent permitted under PRC laws, the option under the Exclusive Call Option Agreement.

We also believe that Mr. Wu, Mr. Jiang, Mr. Su and Mr. Guo, being executive Directors and senior management of our Company, respectively, will uphold their fiduciary duties in acting in the best interests of our Company and our shareholders as a whole and will also uphold good governance practices to ensure that the Contractual Arrangements will be implemented and operated in accordance with our Group's policies and the terms of the Contractual Arrangements, which our Directors considered that such terms and arrangements are fair and reasonable and in the best interest of our Company and its shareholders as a whole.

INSURANCE

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements". We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Practicable Date, the Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Our lack of insurance could expose us to significant costs and business disruption" in this prospectus.

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EFFECT OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over Jiayang Interactive and its subsidiaries, is narrowly tailored to achieve our business purposes and to protect and safeguard the interests of our Company and our future public shareholders in the event of any dispute between us and Jilin Yutai on the following basis:

- (i) under the Power of Attorney, Jilin Yutai has irrevocably granted its designee (being an authorized director of any direct or indirect shareholder of Homeland PRC or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen but excluding Jilin Yutai, any other shareholders of Jiayang Interactive or any of their close associates) the power to exercise all of its shareholder's rights in Jiayang Interactive. These provisions provide Homeland PRC with the powers to determine or change the composition of the board of directors and management team of Jiayang Interactive at any time, which in turn provides Homeland PRC with the power to control Jiayang Interactive without the need for any further action or cooperation from Jilin Yutai and thereby conferring the management control of Jiayang Interactive on our Company and our legally-owned subsidiaries;
- (ii) under the Exclusive Call Option Agreement, Jilin Yutai has granted Homeland PRC (exercisable by itself or any other person(s) as designated by Homeland PRC) irrevocable options to purchase from Jilin Yutai all or part of the equity interest in Jiayang Interactive at the minimum purchase price permitted under PRC laws and regulations or to acquire from Jiayang Interactive all or part of its assets at any time at the minimum purchase price permitted under PRC laws and regulations. These provisions enable Homeland PRC to unilaterally appoint members of our Group or an authorized director of a member of our Group (whom shall own fiduciary duties to our Group and shall act in the best interests of our Group) to act as nominee shareholders of its choice to take over the equity interest in Jiayang Interactive at any time and thereby ensuring that our Group will continue to maintain our interest in Jiayang Interactive upon the exercise of the call option pursuant to the Exclusive Call Option Agreement;
- (iii) under the Equity Pledge Agreement, Jilin Yutai pledged their equity interest in Jiayang Interactive to Homeland PRC, and all such pledges have been properly registered with the local counterpart of SAIC as required by the PRC Property Rights Law. The registered pledges effectively prevent Jilin Yutai from impeding Homeland PRC's control over Jiayang Interactive by transferring their equity interests in Jiayang Interactive to bona fide third parties without Homeland PRC's knowledge or approval;
- (iv) the arrangement under the Exclusive Business Cooperation Agreement will ensure that all economic benefits generated from the operations of Jiayang Interactive and its subsidiaries will flow to Homeland PRC whilst ensuring compliance with applicable PRC laws and regulations and allowing Jiayang Interactive and its subsidiaries to continue to maintain

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and renew the relevant operating licenses and permits as required by relevant PRC government authorities and to operate such value-added telecommunication service and Internet cultural business which are restricted or prohibited to be conducted by foreign investors or foreign owned or invested entities, and hence, is in the best interest of our Company and our Group as a whole. The delineation of the assets and staffing between Homeland PRC, which shall be responsible for driving key business decision-making processes and provide overall business advices and consulting services, and Jiexiang Interactive and its subsidiaries, which shall be responsible for the operations of the Principal Business and the holding of relevant intellectual properties in compliance with relevant PRC laws and regulations and the conditions of the ICP Licenses granted to Jiexiang Interactive and its subsidiaries, would allow a proper discharge of the respective responsibilities of Homeland PRC and Jiexiang Interactive under the Contractual Arrangements and also ensure sound and effective operation of our Company and our Principal Business in compliance with the Contractual Arrangements and applicable laws and regulations; and

- (v) we, through Homeland PRC, will only approve and consent to Jiexiang Interactive carrying out such Principal Business and ancillary businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose. In addition to the undertakings given by Jiexiang Interactive under the Contractual Arrangements, we further undertake to procure all PRC subsidiaries of Jiexiang Interactive to only carry out such Principal Business and ancillary businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose.

Loss sharing

Under relevant PRC laws and regulations, none of our Company and Homeland PRC is expressly legally required to share the losses of, or provide financial support to, our PRC Operating Entities. Further, each of our PRC Operating Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Homeland PRC intends to continuously provide to or assist our PRC Operating Entities in obtaining financial support when deemed necessary pursuant to the Exclusive Business Cooperation Agreement. In addition, given that our Group conducts a substantial portion of our Principal Business in the PRC through the PRC Operating Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our PRC Operating Entities suffer losses.

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through Jiexiang Interactive and its subsidiaries under the Contractual Arrangements.

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisor is of the opinion that each of the agreements underlying the Contractual Arrangements:

- (i) taken individually and collectively, are legal and valid;
- (ii) do not violate applicable PRC laws, rules and regulations and the articles of association of each of Homeland PRC and Jiaxiang Interactive;
- (iii) are legally binding on and enforceable on the parties of each of the agreements underlying the Contractual Arrangements (including their respective assignees or successors) in accordance with their terms and provisions under applicable PRC laws and regulations, except for the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of offshore courts, including the courts in Hong Kong and Cayman Islands, to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts;
- (iv) each of the agreements underlying the Contractual Arrangements does not fall within any of the circumstances under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. In particular, they will not be deemed as “concealing an illegitimate purpose under the guise of legitimate acts” under Article 52 of the PRC Contract Law nor will they be deemed as being non-compliant with the General Principles of the PRC Civil Law. As we did not acquire any equity interest or assets of “a PRC domestic company” as such term is defined under the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) promulgated by six PRC regulatory authorities, including, among others, MOFCOM and CSRC and which became effective in September 2006 and amended on June 22, 2009 (the “**M&A Rules**”), and there is no statutory provision that clearly classifies the Contractual Arrangements as transactions regulated by the M&A Rules, the consummation of the Listing is not a violation of the M&A Rules; and
- (v) each of Homeland PRC and the PRC Operating Entities is a duly established and validly existing company, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations. Jilin Yutai, as the Registered Shareholder, is a duly established entity with full civil and legal capacity; and all parties to each of the agreements underlying the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the agreements underlying the Contractual Arrangements.

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Our PRC Legal Advisor is also of the opinion that the execution, delivery and effectiveness of each of the agreements underlying the Contractual Arrangements do not require any approvals from or filings with PRC governmental authorities, except for (i) the equity pledge under the Equity Pledge Agreement, which was properly filed with the local counterpart of SAIC on March 8, 2019, and (ii) any transfer of equity interests in Jiayang Interactive pursuant to the terms of the Exclusive Call Option Agreement, which will have to be filed with relevant governmental authorities upon the exercise of the call option under the Exclusive Call Option Agreement.

GAPP Notice

On September 28, 2009, the GAPP, the National Copyright Administration (國家版權局) and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations 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 Internet Games and the Examination and Approval of Imported Internet 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), or the GAPP Notice. The GAPP Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Notice has been issued to date, it is not clear how the GAPP Notice will be implemented. Furthermore, as some other primary government regulators, such as the MOFCOM, the MOC and the MIIT, did not join the GAPP in issuing the GAPP Notice, the scope of the implementation and enforcement of the GAPP Notice remains uncertain.

According to the Regulations on the Main Functions, Internal Organization and Staffing of GAPP (《國家新聞出版總署(國家版權局)主要職責內設機構和人員編制規定》) issued by the General Office of the State Council on July 11, 2008 and its interpretation circulars, the GAPP is authorized to approve online games before their launch on the Internet, while the MOC is authorized to administer and regulate the overall online game industry.

Interviews with relevant government authorities

The Sole Sponsor, our PRC Legal Advisor and the Sole Sponsor's PRC legal advisor, Commerce & Finance Law Offices, conducted an interview with the Xiamen Siming District Cultural and Sports Publication Administration (廈門市思明區文化體育出版局) on each of May 17, 2018 and August 28, 2018, an interview with Jilin Province Department of Culture (吉林省文化廳) on each of May 16, 2018 and August 21, 2018, an interview with Fujian Provincial Administration of Press, Publication, Radio, Film and Television (福建省新聞出版廣電局) on each of May 18, 2018 and August 27, 2018, an interview with Jilin Provincial Administration of Press, Publication, Radio, Film and Television (吉林省新聞出版廣電局) on each of May 16, 2018 and August 21, 2018, an interview with Fujian Communications Administration (福建省通信管理局) on each of May 22, 2018 and August 28, 2018 and an interview with Jilin Communications Administration (吉林省通信管理局) on each of May 16, 2018 and August 21, 2018, respectively, with respect to the Contractual Arrangements.

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We have obtained oral confirmation from the relevant PRC government authority that, among others things:

- (i) Jiaxiang Interactive is one of the entities regulated by Xiamen Siming District Cultural and Sports Publication Administration and that foreign investors are prohibited from holding equity interests in an entity conducting value-added telecommunication services and internet cultural business. The Xiamen Siming District Cultural and Sports Publication Administration considered that the Contractual Arrangements are civil conduct of the parties to the underlying agreements and is not under the scrutiny of Xiamen Siming District Cultural and Sports Publication Administration;
- (ii) each of Jilin Xinze and Jilin Yuke is an entity regulated by Jilin Province Department of Culture and that foreign investors are prohibited from holding equity interests in an entity conducting such business. The Jilin Province Department of Culture confirmed that the Contractual Arrangements constituted commercial arrangements among the parties and is not under the scrutiny of Jilin Province Department of Culture and such Contractual Arrangements which do not involve any direct equity investment in Jilin Xinze and Jilin Yuke will not be taken into consideration;
- (iii) Jiaxiang Interactive is one of the entities regulated by Fujian Provincial Administration of Press, Publication, Radio, Film and Television and is required to obtain prior approval from the authority for publication of its online games and that foreign investors are prohibited from holding equity interests in an entity conducting such business. The Fujian Provincial Administration of Press, Publication, Radio, Film and Television considered that the Contractual Arrangements constituted commercial arrangements among the parties and is not under the scrutiny or regulations of Fujian Provincial Administration of Press, Publication, Radio, Film and Television and it will not intervene with the entering into of the Contractual Arrangements;
- (iv) each of Jilin Xinze and Jilin Yuke is an entity regulated by Jilin Provincial Administration of Press, Publication, Radio, Film and Television and is required to obtain prior approval from the authority for publication of its online games and that foreign investors are prohibited from holding equity interests in an entity conducting such business. The Jilin Provincial Administration of Press, Publication, Radio, Film and Television confirmed that the Contractual Arrangements is not under the scrutiny or regulations of Jilin Provincial Administration of Press, Publication, Radio, Film and Television and the Contractual Arrangements are not subject to any filing or registration requirement or approval from the authority as long as it does not involve any changes in equity interest;
- (v) Jiaxiang Interactive is one of the entities regulated by Fujian Communications Administration and is required to obtain the ICP License and that foreign investors are restricted from holding equity interests in an entity conducting such business. The Fujian Communications Administration considered that the Contractual Arrangements constituted ordinary business and operating activities of the parties and provided that the management and consulting services provided under the Contractual Arrangements is in compliance with

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relevant PRC laws and regulations and that there has been no change to the registered shareholder of the entity conducting the value-added telecommunications services, the Contractual Arrangements shall not be subject to the scrutiny of the Fujian Communications Administration; and

- (vi) each of Jilin Xinze and Jilin Yuke is an entity regulated by Jilin Communications Administration and is required to obtain the ICP License and that foreign investors are restricted from holding equity interests in an entity conducting such business. The Jilin Communications Administration confirmed that the Contractual Arrangements is not under the scrutiny of Jilin Communications Administration as long as it does not involve any changes in equity interest and/or the registered shareholder of the entity conducting the value-added telecommunications services.

Our PRC Legal Advisor is of the view that each of Xiamen Siming District Cultural and Sports Publication Administration, Jilin Province Department of Culture, Fujian Provincial Administration of Press, Publication, Radio, Film and Television, Jilin Provincial Administration of Press, Publication, Radio, Film and Television, Fujian Communications Administration and Jilin Communications Administration is a competent government authority for the supervision of our telecommunications value-added services and Internet cultural businesses in which we operate and the publication of our online games; and the officials consulted in the interviews are competent and authorized persons empowered with powers to implement the relevant laws, regulations and rules of the PRC promulgated by the relevant PRC government authorities for the industry in which we operate and to make the aforementioned oral confirmation.

From the perspective of operating our Principal Business in a manner that is in compliance with applicable PRC laws and regulations, as advised by our PRC Legal Advisor as aforementioned in this section, our Company is currently unable to establish a sino-foreign equity joint venture to obtain both an Internet cultural business and an ICP License for operation of our Principal Business. Accordingly, we cannot acquire equity interest in Jiayang Interactive and its subsidiaries, which conducts our Principal Business and holds the assets and certain licenses, approvals and permits required for the operation of our Principal Business.

Based on the foregoing, our PRC Legal Advisor is of the view that (i) the Contractual Arrangements are unlikely to be deemed invalid as a result of non-compliance with applicable PRC laws; and (ii) the risk of Homeland PRC or Jiayang Interactive being imposed administrative penalties by relevant PRC government authorities as a result of the adoption of the Contractual Arrangements is not high. In particular, based on the interview with the local counterpart of GAPP, our PRC Legal Advisor is of the opinion that except for dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration, the agreements underlying the Contractual Arrangements, taken individually and collectively, are valid and legally binding on the relevant parties to them, and will not be invalidated because of the GAPP Notice. We therefore do not believe that the GAPP would take actions against our Contractual Arrangements with Jiayang Interactive to the effect of invalidating our Contractual Arrangements based solely on the GAPP Notice.

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Relevance of PRC Supreme Court decision and two arbitration decisions

In or around September 2011, various media sources reported that the CSRC had prepared a report proposing regulating the use of the VIE structures, such as ours, in industry sectors subject to foreign investment restrictions in China and overseas listings by China-based companies. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to the VIE structures will be adopted or if adopted, what they would provide.

In addition, several articles, including an article published in early June 2013 on The New York Times and another one on The Economic Observer (經濟觀察報), reported discussions that a recent PRC Supreme Court decision and two VIE structure-related arbitration decisions in Shanghai had cast doubt on the validity of the contractual arrangements for the VIE structure. According to these articles, the PRC Supreme Court ruled in late 2012 that an entrustment agreement entered into by and between a Hong Kong company and a PRC domestic entity, which was purported to enable such Hong Kong company to make equity investment in a PRC bank through the proxy PRC domestic entity, was void on the ground that this agreement established an entrustment relationship meant to circumvent the PRC laws and regulations that prohibit foreign investment in PRC financial institutions and as such, constituted an act of concealing illegal intentions with a legitimated form. These articles argued that the contractual arrangement in a VIE structure and the entrustment agreement in the cited case were similar in that the contractual arrangements in the VIE structure were also designed to “get around” the regulatory restrictions on foreign investment in certain industries. As such, the articles noted that this Supreme Court decision might increase the uncertainties relating to the PRC government’s view on the validity of the contractual arrangements used in the VIE structure. These articles also reported, without providing sufficient details, that two arbitration decisions by the Shanghai CIETAC invalidated the contractual arrangements used in a VIE structure in 2010 and 2011.

In light of the reported PRC Supreme Court decision and the two arbitration decisions (see “Risk Factors — Risks Relating to Our Contractual Arrangements — If the PRC government finds that the agreements that establish the structure for operating our mobile game businesses in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Operating Entities.”), our PRC Legal Advisor is of the view that:

- (i) the Contractual Arrangements are distinguishable from the facts in the PRC Supreme Court ruling, as reported, because, it is reported that the entrustment agreement under the reported PRC Supreme Court decision expressly provided that the Hong Kong company authorized the domestic company to hold the subscribed shares of a PRC bank on behalf of the Hong Kong company; however, there is no such provision in any agreement underlying the Contractual Arrangements, which provide that Jilin Yutai authorized a designated person of Homeland PRC to act on its behalf and to exercise all rights associated with the equity interests held by Jilin Yutai, such as the voting rights;

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- (ii) the PRC Supreme Court ruling may not be considered as authority in deciding other similar cases as it is not a guiding case (指導性案例) published by the PRC Supreme Court which all lower level people's courts throughout China should use as guidance;
- (iii) the ruling and arbitration decisions shall not be binding on the Contractual Arrangements and the risk of the Contractual Arrangements being invalidated based on the ruling and decisions above is relatively low; and
- (iv) the Contractual Arrangements would not be deemed as “concealing an illegitimate purpose under the guise of legitimate acts” under Article 52 of the PRC Contract Law nor will they be deemed as being non-compliant with the General Principles of the PRC Civil Law.

Tax requirements relating to the Contractual Arrangements

In terms of tax requirements relating to the Contractual Arrangements, as advised by our PRC Legal Advisor, pursuant to the PRC Property Rights Law, Homeland PRC (as the pledgee) shall have the right to receive all yields accrued from the entire pledged equity interest in Jiexiang Interactive, and which shall include dividends or other distributions declared to Jilin Yutai and Homeland PRC will be subject to value-added tax and enterprise income tax upon the receipt of such dividends or distributions as service fees. Apart from the aforementioned taxes, our PRC Legal Advisor confirms that there are no other tax requirements in respect of the receipt of such dividend or other distribution as accrued from the entire pledged equity interest in Jiexiang Interactive by Homeland PRC from Jilin Yutai in the PRC. It is also confirmed that there is no legal impediment for our Group to fulfill the aforementioned tax requirements.

In addition, our PRC Legal Advisor is also of the view that based on (i) the certificates issued by relevant local authorities of SAIC and (ii) the fact that the Contractual Arrangements and the transactions thereunder will have negative rather than favorable impact on the tax liabilities of our Group before the Contractual Arrangements are entered into, the entering into of the Contractual Arrangements should not be seen as, an attempt to circumvent any tax obligations of our Group which may otherwise be subject to challenges by the tax bureaus or government authorities.

As of the Latest Practicable Date, none of Homeland PRC, Jiexiang Interactive and its subsidiaries has been investigated, challenged or penalized for any transfer pricing-related matter.

BASIS OF CONSOLIDATING THE FINANCIAL RESULTS OF JIAXIANG INTERACTIVE AND ITS SUBSIDIARIES

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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Under the Power of Attorney, Homeland PRC assumes all rights as a shareholder and exercises control over Jiayang Interactive, including, among other things, the right to attend shareholders' meetings and pass any shareholders resolution of Jiayang Interactive, exercise all shareholders' rights in accordance with applicable laws and the articles of association and constitutional documents of Jiayang Interactive (including but not limited to (i) the exercise of voting rights in shareholders' meetings, (ii) to sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Jiayang Interactive, (iii) submit and/or file any documents or information to relevant government authorities (including the companies registry), and (iv) elect and appoint the legal representative, directors, supervisors, general manager, chief financial officer and other senior officers of Jiayang Interactive. As a result of these agreements, our Company has obtained control of Jiayang Interactive and its subsidiaries through Homeland PRC and, under our Company's sole discretion, can receive substantially all of the economic interest returns generated by Jiayang Interactive and its subsidiaries.

Under the Exclusive Business Cooperation Agreement entered into by and among Homeland PRC and Jiayang Interactive, it was agreed that Jiayang Interactive shall pay Homeland PRC a service fee that equals to the total consolidated profit of Jiayang Interactive and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, operating costs, expenses, tax and other statutory contributions of Jiayang Interactive and its subsidiaries in any given year. Homeland PRC is also entitled to adjust the service fee payable by Jiayang Interactive based on the actual business conditions, operations and development needs of Jiayang Interactive. Accordingly, Homeland PRC has the ability, at its sole discretion, to extract substantially all of the economic benefit of Jiayang Interactive and its subsidiaries through the Exclusive Business Cooperation Agreement.

As there is no change in management of our business for Listing and majority of owners of our businesses remained the same, our Group resulting from the Reorganization (including the entering into of the Contractual Arrangements) is regarded as a continuation of the businesses of Jiayang Interactive and its subsidiaries. In addition, as a result of the Contractual Arrangements, our Group has rights to variable returns from its involvement with Jiayang Interactive and has the ability to affect those returns through its power over Jiayang Interactive and is considered to control Jiayang Interactive. Consequently, our Company regards Jiayang Interactive and its subsidiaries as our indirect subsidiaries for accounting purpose. Accordingly, our financial results during the Track Record Period (or where the entity was established on a date later than January 1, 2016, for the period from the date of establishment to December 31, 2018) can be prepared on a consolidated basis and is presented using the carrying values of the businesses of Jiayang Interactive and its subsidiaries for all period presented.

In this regard, our Reporting Accountant has issued an unqualified opinion on our Group's consolidated financial information as at and for the period/years ended December 31, 2016, 2017 and 2018, as included in the Accountant's Report set out in Appendix I to this prospectus. The financial information in the Accountant's Report has consolidated the financial results of Jiayang Interactive and its subsidiaries during the Track Record Period as if they were consolidated subsidiaries pursuant to the Contractual Arrangements. The basis of combining the results of Jiayang Interactive is disclosed in notes 1 and 3 to the Accountant's Report set out in Appendix I to this prospectus.

CONTRACTUAL ARRANGEMENTS

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law (2019)

Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and will come into force from January 1, 2020. Our PRC Legal Advisor is of the view that it is highly likely that the Foreign Investment Law (2019) supersedes the Foreign Investment Law (2015 Draft) published by the MOFCOM in 2015.

The Foreign Investment Law (2019) stipulates the implement of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list”, which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list”, management shall be conducted under the principle of consistency of domestic and foreign investment. The Foreign Investment Law (2019) does not contain or quote the stipulation of the “negative list”.

The definition of “foreign investors” in Foreign Investment Law (2019) includes foreign natural persons, enterprises and other organizations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities.

Moreover, the Foreign Investment Law (2019) does not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on “other means”.

Impact of Foreign Investment Law (2019) on VIE

Our PRC Legal Advisor is of the view that since contractual arrangements are not specified as “foreign investments” under the Foreign Investment Law (2019) and if there is no applicable law or regulation that explain “other means” of foreign investment under the Foreign Investment Law (2019), or if “other means” of foreign investment are specified under applicable laws or regulations not to include contractual arrangements, it is unlikely that the Contractual Arrangements will be deemed as “foreign investments” under the Foreign Investment Law (2019) and therefore (i) the Contractual Arrangements shall neither be subject to the “negative list” nor be regulated by relevant authorities in accordance with the requirements of the “negative list”; and (ii) the Foreign Investment Law (2019) would not apply to the Contractual Arrangements as it does not substantially change the principle of recognition and treatment of contractual arrangements as compared with the current PRC laws and regulations, and the legality and validity of the Contractual Arrangements would not be affected.

CONTRACTUAL ARRANGEMENTS

If the operation of our Principal Business is not on the “negative list” and we can legally operate such business under PRC laws, Homeland PRC will exercise the call option under the Exclusive Call Option Agreement to acquire the equity interest of Jiaxiang Interactive and unwind the contractual arrangements subject to re-approval by the relevant authorities.

If the operation of our Principal Business is on the “negative list”, unless applicable laws or regulations define contractual arrangements are one of the “other means” of foreign investment, the probability that Contractual Arrangements are deemed as “foreign investment” under the Foreign Investment Law and be regulated by relevant authorities in accordance with the requirements of the “negative list”, which results the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the “negative list” is low. In addition, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our PRC Legal Advisor is of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of contractual arrangement and the enactment of laws and regulations impacting them, and will make decisions according to different situations in practice.

As the Foreign Investment Law (2019) has not come into force, and there is no other related ancillary regulations or implementing rule, the interpretation and implementation of the Foreign Investment Law (2019) might differ from our understanding. If there are other related regulations defining other means of foreign investment to include contractual arrangements, the laws and regulations above will not only apply to our Company and Jiaxiang Interactive, but also apply to other entities which operate under contractual arrangements.

Our PRC Legal Advisor is of the view that it is highly likely that (i) the Foreign Investment Law (2019) is a version revised from the Foreign Investment Law (2015 Draft) and (ii) the Foreign Investment Law (2019) supersedes the Foreign Investment Law (2015 Draft).

Sustainability of our business

If any ancillary regulations or implementation rules of the Foreign Investment Law (2019) subsequently issued, and the “catalog of special administrative measures” as finally issued, mandate further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with Foreign Investment Law or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Listing, we fail to comply with the new foreign investment law as finally promulgated, we may be required to dispose of our business operated through the PRC Operating Entities under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the new foreign investment law as finally promulgated.

CONTRACTUAL ARRANGEMENTS

In the worst case scenario, if the operation of the Principal Business is on the “negative list” and any new foreign investment law subsequently promulgated is refined or deviates from the Foreign Investment Law (2019), depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we may not be able to operate the Principal Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of the PRC Operating Entities and the financial results of the PRC Operating Entities may no longer be consolidated into our Group’s financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition. In such case, the Stock Exchange may also consider our Company to be no longer suitable for Listing on the Stock Exchange and delist our Shares. See the section headed “Risk Factors — Risks Relating to Our Contractual Arrangements”.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the Foreign Investment Law (2019) is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. Our PRC Legal Advisor is of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them, and make decisions according to different situations in practice.

Our Company will, after the Listing, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the Foreign Investment Law (2019) that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the Foreign Investment Law (2019) or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisor), as well as its material impact on our business operation and financial position.

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OVERVIEW

We are a leading localized mobile card and board game developer and operator in China with a special focus on localized Mahjong and poker games. Most of our games are the recreation of classic games with a long history in the real world, which provides us with a broad and active potential player base.

We have developed and currently offer 72 mobile apps containing various game products that operate on Android or iOS mobile operating systems. Our rich game portfolio comprises 508 mobile game products, including 469 localized game variations of Mahjong, 34 poker game variations and 5 casual games. Our Mahjong game variations are localized to cover at least some counties in 24 provinces and municipalities in China, appealing to the various traditions and preferences of players from different locations. We intend to continue to expand the geographic coverage of our games in China by developing additional localized regional game variations. According to the F&S Report, we ranked first among all online localized card and board game companies by number of localized variations in China in 2018. In addition, according to the F&S Report, we ranked No. 3 among online localized card and board game companies in China as measured by geographic coverage of localized variations and also by revenue in 2018, and had a 5.1% market share in terms of revenue from all online localized card and board games companies in the same year.

We adopt a unified platform strategy to aggregate our game products, which consist of our Mahjong game variations, poker game variations and other games under integrated game platforms. Most of our game products are currently offered on two integrated game platforms namely Weile Games and Jixiang Games while a small number of our game products are available either singly or in small game bundles to players who use our private game room function. The two integrated game platforms were designed to offer game products with different packaging, game rules and geographical focus to cater for a wide range of players and are accessed through our different websites. Out of our 72 mobile apps, 54 of them are developed for our Weile Games platform, one is developed for our Jixiang Games platform and the remaining 17 mobile apps are developed for Mahjong game variations and poker game variations played with the private game room function. Most of our mobile apps are designed to carry multiple game products. For example, one of the 54 mobile apps for our Weile Games platform carries 319 of our game products while the remaining mobile apps carry up to 37 of our game products. Similarly, the one mobile app for our Jixiang Games platform carries 139 of our game products, and the mobile apps developed for games played with private game room function carry up to 5 of our game products each. The allocation of game products into the mobile apps depends on the geographical location or the name of the mobile apps and also the rules of the game products.

We are in the process of further streamlining our offerings onto one consolidated platform and it is intended that the consolidated platform will operate under Weile Games. We have also established an integrated backend server which allows our players to use the same player account in one game app to conveniently access and play all of our other game products on the same integrated game platform without downloading additional apps. Virtual tokens and other virtual products in a player account can be consumed in all of our other game products on the same integrated game platform. As part of our platform strategy, we leased high-performance cloud servers to collectively host, manage and process all of our non-core operating data, which act as gateways and prevent direct on-premises data access to our locally saved core data.

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We have developed strong and effective offline marketing capabilities to promote our games, a significant portion of which are county-level localized games. We primarily rely on our self-generated user traffic and distribute our mobile game products through our own websites or through our official social media accounts. We also engage third-party game distribution channels, including cellphone manufacturers and major online application stores for the distribution and promotion of our games.

All of our self-developed mobile game apps are free to download. Virtual tokens are required to play all of our game products other than game products offered in our private game rooms. We offer players a small number of virtual tokens initially and daily for free and players can purchase virtual tokens to prolong playing their game sessions or purchase private game room cards to initiate a game session in a virtual “game room”.

During the Track Record Period, we generated substantially all of our revenue from the sales of virtual tokens and private game room cards consumed in our self-developed mobile game products. In 2017, we introduced private game room function to some of our Mahjong and poker game variations, an enhanced mode which allows a player to purchase private game room cards and initiate and pay for a game session in a virtual “game room” and then invite other known players to join. We book the purchases of virtual tokens and private game room cards as deferred revenue and purchases are only recognized as revenue when virtual tokens and private game room cards are consumed. See “Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition” for information on how consumption is determined.

We endeavor to enhance the design of our game features and functions so as to increase the attractiveness of our game products and improve in-app engagement and player retention rate. We believe a healthy and increasing player retention is crucial at our current development stage, which not only provides us with future monetization opportunities but also indicates our competitiveness against other similar mobile card and board game operators.

Our business grew rapidly during the Track Record Period. Our cumulative registered players increased from approximately 16,281,000 as of December 31, 2016 to approximately 53,608,000 as of December 31, 2017 and further to 97,096,000 as of December 31, 2018. Over the same period, our DAUs increased from approximately 1,709,300 as of December 31, 2016 to approximately 4,607,900 as of December 31, 2017 and further to 5,205,000 as of December 31, 2018. Our paying players increased from approximately 878,800 for the year ended December 31, 2016 to approximately 3,128,500 for the year ended December 31, 2017 and reached approximately 3,226,200 for the year ended December 31, 2018. As such, our revenue increased from RMB51.9 million in 2016 to RMB439.5 million in 2018, representing a CAGR of 190.9%. Our profit and other comprehensive income attributable to owners of the Company for the year increased from RMB23.3 million in 2016 to RMB204.1 million in 2018, representing a CAGR of 196.2%.

In addition to our proprietary game development, we have commenced the distribution of third-party mobile games since August 2018 and as of the Latest Practicable Date, we distributed seven mobile games on our platforms. We act as the distribution channel for these game developers and share the proceeds derived from the games on our platforms with the game developers in a fixed

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proportion. As we do not develop the third-party mobile games, we incur minimal capital outlay in pursuing this game distribution business. In the year ended December 31, 2018, revenue derived from the game distribution business amounted to RMB27.1 million, accounting for approximately 6.2% of our revenue for such period. Going forward, by leveraging our large player base, we intend to continue this game distribution business by carefully selecting games with strong popularity and traffic driving potential. We believe it will contribute stable revenue and attract additional game players to our platforms.

Mobile game industry in China has huge growth potentials. According to the F&S Report, the mobile game industry in China has experienced a significant growth with a CAGR of 52.3% from 2014 to 2018 and the total market size amounted to approximately RMB162.5 billion in 2018. It is expected to further grow at a CAGR of 31.2% from 2019 to 2023, reaching approximately RMB577.9 billion by 2023. We believe that by leveraging our existing market position, sophisticated game development technologies as well as localization expertise, we are able to continue to capitalize on this market trend and propel our future growth.

OUR STRENGTHS

We believe that the following competitive strengths have contributed to our success and fast growth, and will continue to help us further our leading position in mobile card and board game market.

A Leading Localized Mobile Card and Board Game Developer and Operator in China

We are a leading localized mobile card and board game developer and operator in China with a special focus on localized Mahjong and poker games. As of the Latest Practicable Date, we have developed and currently operates 508 mobile game products, including 469 localized game variations of Mahjong, 34 poker game variations and 5 casual games. We currently offer Mahjong game variations that are localized to cover at least some counties in 24 provinces and municipalities in China, appealing to the various traditions and preferences of players from different locations. Our localized Mahjong game variations are featured with county-level regional game rules, scoring rules and slang terms. According to the F&S Report, we ranked first among all online localized card and board game companies by number of localized variations and ranked No. 3 by geographic coverage of localized variations in China in 2018.

All of our game products are free to play, which enables us to quickly attract new players to experience our game products. A majority portion of our game portfolio are long-lifespan classic card and board games with a broad and active player base in China. Our rich localized Mahjong game variations enable us to easily attract initial player interest in different locations and to aggregate and expand the player base quickly. According to the F&S Report, we ranked No. 3 among online localized card and board game companies in China as measured by revenue in 2018, and had a 5.1% market share in terms of revenue from all online localized card and board games companies in the same year.

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According to the F&S Report, the online localized card and board game industry in China has experienced a rapid growth with a CAGR of 45.9% from 2014 to 2018 and a total market size of approximately RMB8.6 billion in 2018. It is expected to further grow at a CAGR of 30.2% from 2019 to 2023, reaching approximately RMB31.0 billion by 2023. The player base of mobile games in China grew from 410.0 million in 2014 to 606.0 million in 2018, and is expected to further increase to 845.3 million by 2023. With our established leading position and brand awareness in China, we are well positioned to capitalize on the emerging opportunities presented by the growing online localized card and board game market.

Unified Platform Strategy and Integrated Backend System Enhancing Player Experience and Monetization

We adopt a unified platform strategy to aggregate Mahjong variations, poker and other games under integrated game platforms. Most of our game products are currently offered on two integrated game platforms while a small number of our game products are available either singly or in small game bundles to players who use our private game room function. We are in the process of further streamlining our offerings onto one consolidated platform. Leveraging our integrated backend system, our players are able to use the same player account in one game app to conveniently access and play all of our other game products on the same integrated game platform without downloading additional apps. Virtual tokens and other virtual products in a player account can also be consumed in all of our other game products on the same integrated game platform. Our strategy of streamlining all our game product offerings onto one single game platform encourages players who may be otherwise reluctant to pay due to the limitation on the use of purchased virtual items in a single game product to become paying players. In addition, players initially interested in one game product may choose to experience other game products which are easily accessible on the platform, thus further increasing player stickiness and monetization of our game products.

Our integrated backend system holds and supports hundreds of thousands of concurrent players of all of our game product offerings, which allows a player to initiate a game session and be quickly matched with real-time multi-players. Furthermore, our proprietary algorithms auto-match players with similar features, such as game skill levels, locations or network environment, so as to create more satisfactory matches. The efficient matchmaking provides a superior player experience which further drives player stickiness.

Strong Offline Game Promotion Capability

We have placed significant focus on developing and refining our game promotion strategies. We carefully design promotional methods that best suit each location. Through years of experience, we have acquired a sound understanding of and relationships in the local markets in which we operate, such as the culture of local mobile game market and the preferences of the local target audience. To accommodate the large number of localized games, we primarily promote our games through traditional offline channels, such as door-to-door promotions by visiting residential and commercial communities, office buildings and reaching out to our target audience to conduct one-on-one

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promotion of our games, distribution of QR codes through direct mail pieces and leaflets, and outdoor billboard advertisements. We believe these are efficient and more cost-effective in promoting localized games to reach target audience than advertising on online channels as we are able to engage directly with our target audience and have a better understanding of their preferences, experience first-hand their reaction to our games and address any questions on the spot. Over 80% of our sales were derived through our proprietary channels during the Track Record Period and our focus on offline promotion brings us remarkable self-generated user traffic and improves our profit margin.

To complement our offline promotions, we from time to time release in-app advertisements for our own game products through our game apps. We also leverage selected high-traffic social media platforms and app stores, including Huawei, OPPO, Vivo and Tencent MyApp (騰訊應用寶), to distribute and promote our games. Moreover, we sponsored real world live card and board game tournaments through cooperation with local TV programs to further raise our brand awareness among card and board game players.

Our focus on offline promotion brings us remarkable self-generated user traffic. We do not heavily rely on third-party online distribution channels to promote and monetize our game products, which improves our profit margin as it makes us less vulnerable to the fluctuation in commissions and processing fees and the conditions and terms imposed by those channels. During the year ended December 31, 2016, 2017 and 2018, approximately 11.7%, 4.7% and 16.4% of the sales proceeds of our virtual tokens and private game room cards were derived from third-party distribution channels, respectively. During the same periods, our gross profit margins represent approximately 82.1%, 80.3% and 76.5%, respectively. We believe that the impressive performance of our recently launched private game room function can be largely attributed to our offline game promotion capability, as complemented by our in-app advertisements and social media promotions, coupled with the strategic timing for introduction of game products with private game room function to the market.

Broad Portfolio of Classic Games with Long Lifespan and New Features

As of the Latest Practicable Date, we had developed and currently offer 508 game products. Most of our games, including the most popular game categories of Mahjong and poker games such as “Fight the Landlord,” are the recreation of classic games with a long history in the real world. Such strategic focus on the classic card and board games with well-established rules enables us to minimize development costs associated with game design. For example, each of our Mahjong game variations shares basic features, such as tiles and multi-players, but have distinct playing and scoring rules. Leveraging our well established game development system and process, we are able to research and develop a Mahjong variation around six weeks by embedding respective regional game rules after adopting standardized templates with existing graphics and visual designs. Moreover, due to the nature of our games, they do not require frequent upgrades or updates, although we occasionally modify aspects of our game products to improve player experience.

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Additionally, to stimulate the player stickiness, we from time to time release in-game missions or events to grant players opportunities to win comeback bonuses after achieving a consecutive log-in for a certain period of time or certain number of cumulative in-game time/game sessions, as well as bonus virtual tokens, honorary titles and virtual vouchers upon the completion of such missions. We offer tiered difficulty options in order to engage players with different skill levels. Our game products also provide one-click service to enable and encourage players to share their game experience, results and awards with family and friends on popular social media, such as WeChat, which in turn, may invite potential players to our platforms.

Experienced and Dedicated Management Team

Our Founders and our other senior management members have a passion for games, extensive experience in the game industry and a deep understanding of market trends. In particular, our founders are all experienced programmers and have accumulated solid industry knowledge and expertise, especially in localized coding and programming. Our management team are experienced and dedicated. Some of our senior management members have also had working experience in other leading domestic game companies. Our stable management team has developed a vibrant corporate culture to inspire and encourage collaboration, which we believe leads our fast business growth and helps us attract and motivate our game development team.

We believe our major competitive advantage over our competitors is our remarkable self-generated user traffic through our proprietary channel. With such traffic, unlike our competitors, we rely less on third-party distribution channels which charge relatively high rates of commission fees. As a result, we are able to achieve better profit margins. Leveraging our self-generated user traffic, we are able to attract game developers which engage us to distribute their games, thereby providing us additional revenue as well as diversifying our source of revenue and product offerings.

OUR STRATEGIES

Our goal is to maintain our leadership in the localized mobile card and board games market and further enhance our market penetration. We intend to achieve this goal by pursuing the following strategies.

Further Develop and Optimize Our Game Portfolio to Boost Player Stickiness

We believe that classic card and board games have a vast player base in China. We intend to further leverage our accumulated experience to increase the offering of localized Mahjong and poker game variations. To this end, we expect to expand our geographic coverage in China by leveraging our established brand name and developing additional localized regional game variations. We aim to expand the coverage of our localized game variations to the entire country, excluding Taiwan, Tibet, Qinghai, Xinjiang, Shanghai, Guangzhou and Shenzhen by the end of 2019. Moreover, we also intend to introduce more casual games to amplify our overall game portfolio and attract players with different interests.

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In addition, we will continue to leverage advanced technologies and enhance the design of our game features and functions so as to increase the attractiveness of our game products and improve in-app engagement, player retention and player life-time value. Our private game room function which was launched in 2017 has proven to be a success. We are exploring in-game live video function for our private virtual game rooms to improve player experience and also live audio function to enhance customer service, with a view to launching these in 2019. We believe a healthy and increasing player base is crucial at our current development stage, which not only provides us with future monetization opportunities but also indicates our competitiveness against other similar card and board games operators.

Continue to Strengthen Research and Development and Technology Infrastructure

Strong research and development capabilities are essential to our future growth. We will continue to recruit and retain experienced game developers and engineers, especially those who have solid working experience in the game industry. We will increase our investments in technologies to further strengthen our game development capability and infrastructure, with a particular focus on improving player experience, which in turn helps us retain players and increase player stickiness. We plan to enhance the stability and security of our network as well as game apps. In addition, we have commenced the development and operation of HTML5 version of our game products which are connected to various HTML5-enabled social platforms and websites.

Enhance Marketing Capacities and Improve Brand Image

We will continue to adopt an offline game promotion strategy which requires us to enhance our marketing capacities as we expand into new regional markets. We also expect to invest in other marketing efforts, such as increasing our presence on social platforms, third-party websites or apps that have high traffic and strong network effect. For example, we plan to launch our HTML5 version of our game products on various large social platforms so as to take advantage of their sizable user base, such as WeChat. We will continue to sponsor real world live card and board game tournaments to raise our brand recognition among card and board game players.

In addition, to meet with the needs of operating in additional regions and becoming a listed public company, we have recently established a professional public relationship and government relationship team and plan to build the team gradually to help improve our public image and facilitate better collaboration with local governments.

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Strategically Pursue Partnership and Acquisition Opportunities and Broaden Domestic and Overseas Market Reach

We may leverage our game development expertise to identify and acquire from third parties mobile games with potentials and complementary to our current game portfolio, including but not limited to mobile Mahjong and poker games that have established a player base, or other casual games that may generate additional player traffic. We will pay particular attention to games with HTML5 version which enable the players to access such games without leaving the initial mobile game apps, which we believe will be more suitable for our unified platform strategy. We may focus on games in regional markets where we have newly or have yet entered into. In the upcoming two or three years, we plan to explore opportunities, through organic growth as well strategic acquisitions, in regional markets including Guangxi, Sichuan, Yunnan, Fujian, Henan, Shandong, Shaanxi and Anhui provinces. In addition, we may prudently pursue complementary acquisition opportunities of mobile game developers and operators, especially those small to medium-sized local regional game developers and operators, to obtain their teams, player base, and know-how, and gain a quick access to a local market. Nevertheless, we currently have not identified any specific target for such acquisition.

Moreover, we have commenced the distribution of popular third-party mobile games. Since August 2018 and up to the Latest Practicable Date, we distributed a total of seven third-party mobile games on our platforms. We intend to continue this game distribution business by carefully identifying games with strong marketing resources, established popularity and traffic driving potential. We will also strategically select games with HTML5 version which enable the players to access such third-party mobile games without leaving our mobile game apps. We believe it will contribute stable revenue and attract additional game players to our platforms.

Furthermore, we may also leverage our localization capabilities to develop new tailor-made games targeting specific overseas markets with substantial ethnic Chinese player base, such as Hong Kong. We will carefully monitor our acquisition plan and business development in accordance with business needs and the opportunities that arise from time to time. In addition to using part of the net proceeds from the Global Offering, we intend to also use our internal resources, as needed, to pursue our expansion plans.

OUR SELF-DEVELOPED GAME PORTFOLIO

Apart from a few third-party mobile games that we commenced distributing in August 2018, all of our mobile games are self-developed. Our game portfolio consists of three categories of games, namely Mahjong, poker and casual games. Most of our games, including the most popular game categories of Mahjong and Fight the Landlord, are the recreation of classic games with a long history in the real world. We have developed different Mahjong game variations featured with localized and regional game rules, scoring rules and slang terms, appealing to various traditions and preferences of players from different locations. We currently offer Mahjong game variations that are localized to cover at least some counties in 24 provinces and municipalities in China.

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Since the commencement of development of our mobile games in 2013, we have continued to expand our product offering through development of new mobile games and game variations. As of the Latest Practicable Date, we have developed and operated 508 game products, which include 469 localized variations of Mahjong, 34 poker game variations and 5 casual games including Fishing Strike (捕魚), Blaster (消消樂) and DaBoLuo (大菠蘿). We currently offer 72 mobile apps each containing different bundles of our game products that operate on Android or iOS mobile operating systems. Out of our 508 mobile game products, around 2.0%, 3.0%, 9.4%, 33.5%, 48.4% and 3.7% were launched in 2014, 2015, 2016, 2017, 2018 and 2019, respectively. We adopt a unified platform strategy to aggregate most of our game products under two integrated game platforms in order to attract players to experience more game products without downloading additional apps.

All of our mobile game apps are free to download. Virtual tokens are required to play our game products other than game products offered in our private game rooms. We offer our players a small number of virtual tokens initially and daily and our players can purchase virtual tokens to prolong and to enhance their game experience. We launched private game room function in 2017 for some of our Mahjong and poker game variations which enables our players to initiate and pay for a game session in a virtual “game room” and then invite other known players to join. Players purchase private game room cards in order to access the private game room function and no virtual tokens are required to play the Mahjong or poker game variations while in private game rooms. For more details about our monetization measures, see “— Game Monetization” below.

Except for certain preset emoji and greeting messages, currently in-game communication among players (other than players in our private virtual game rooms) is typically disabled to ensure a fair play in our card and board games.

Existing Game Portfolio

Descriptions of our most popular games are set out below.



Mahjong Games

Mahjong is one of the most popular games among Chinese-speaking population with several hundred years of history in the real world. The game has a large number of regional variations and given its high degree of influence and popularity, it has been adapted into a widespread online entertainment nowadays.



In a traditional Mahjong game, four players construct a 13-tile or 16-tile hand and compete to complete a winning hand by pairing tiles in turn, preferably with a high point value under the regional game rules. To cater for the different traditions and preferences of our players throughout China, we have developed and currently offer 469 variations of Mahjong, including the more popular Changchun Mahjong (長春麻將), Songyuan Mahjong (松源麻將) and Three Against One (三打一). In addition to traditional four-player Mahjong, we also offer two-player Mahjong based on a set of more flexible international Mahjong rules.



In our Mahjong games, players compete with each other to win the virtual tokens contributed by the other players.



Since our first mobile Mahjong game variation was released in 2014 under our “Jixiang Games” brand name, we have developed and currently offer 469 Mahjong game variations under our three brand names, namely “Weile Games”, “Jixiang Games” and “Kele Games” which are localized to cover at least some counties in 24 provinces and municipalities in China.

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The following diagram shows the geographic coverage of our Mahjong game variations:



- The localized variations of the Group's Mahjong game products cover these provinces and municipalities
- The Group does not intend to develop game products to cover these regions in the near future

Poker Games



Fight the Landlord (鬥地主)

Fight the Landlord (鬥地主) is based on its real world counterpart which is one of the most popular card games in China. Our Fight the Landlord includes two-player or three-player variations.

In the standard version of Fight the Landlord, two players, the “peasants”, collaborate against the third player, the “landlord.” The first party that has no cards left wins the game and the virtual tokens contributed by all the other players.



Winner (跑得快)

Winner is a popular mobile card game based on its traditional real world counterpart. Subject to the applicable game rules of card combinations, three players proceed in turn and the object is to be the first running out of cards. The winner wins all the virtual tokens contributed by the other players in the game.

Casual Games



Fishing Strike (捕魚)

Fishing Strike (捕魚) is a casual game based on a popular traditional arcade game. Our Fishing Strike is offered in both single-player and multi-player versions.

In our Fishing Strike game, players accomplish levels by catching a certain amount and types of fishes and collect in-game virtual items to upgrade his/her fishing battery.



Blaster (消消樂)

Blaster is one of the most popular classic block games appealing to players of all ages. Subject to the game rules of color or pattern combinations, players arrange and match blocks to complete as many moves as possible. Our Blaster is currently offered in both single-player and multi-player versions. In addition, we have launched the game, Blaster (微樂愛消除), in Hong Kong in May 2018.

Mahjong and poker games, including the numerous Mahjong game variations, are our two most popular game products based on consumption of virtual tokens. For further details, see “— Game Monetization” below.

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Game Pipeline

We consider factors such as player interests and demands, availability of similar game products and monetization potential in determining potential game products for development.

We plan to develop and expand our game portfolio through the following efforts:

First, we are developing additional localized Mahjong and poker game variations to expand our geographic coverage. We expect our Mahjong game variations to reach the entire country, except Taiwan, Tibet, Qinghai, Xinjiang, Shanghai, Guangzhou and Shenzhen, by the end of 2019. We expect to develop:

- additional county-level Mahjong game variations with about 65 different localized variations covering 26 provinces and municipalities, as well as around 15 poker game variations to be launched by the end of 2019; and
- HTML5 versions of more of our game products, such as HTML5 version for WeChat, which we started to launch in 2018 and will continue in 2019.

Second, we are expanding our game portfolio by introducing new casual games and we plan to launch around five such games by the end of 2019.

We also launched one casual game, namely Blaster (微樂愛消除), in Hong Kong in May 2018.

We expect to utilize primarily proceeds from our Global Offering to fund these new game product development as well as the continuing enhancement of our existing game products. Our Directors are of the view that we have sufficient working capital from internally generated funds for the enhancement of our existing game products but will need to utilize proceeds from the Global Offering to achieve our development plan for the new game products.

Recent Changes in Regulatory Environment relating to Game Pre-approval

In early 2018, the SAPPRFT, being the government authority responsible for granting pre-approval of publication of domestic online games, was replaced by SART according to the institutional restructuring plan of the State Council. Since April 2018, the granting of pre-approval and filing of domestic online games by the relevant government authorities has been suspended. As of the Latest Practicable Date, no government authorities/sources, including the SAPPRFT and the MOC, has issued or promulgated any official policy, regulation or statement in respect of (a) any suspension of pre-approval from the SAPPRFT or suspension of post-filing with the MOC for the publishing and commercial launch of mobile games, or (b) any proposed, revised or new administrative/regulatory approval procedure involving pre-approval or post-filing requirements for the publishing and commercial launch of mobile games. Based on the information released on the website of the SAPPRFT, 164 domestic online games have obtained pre-approval in December 2018 and another 283, 279, 233 and 40 domestic online games have obtained pre-approval in January, February, March and

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April 2019, respectively, which indicates that the suspension of the pre-approval of domestic online games has been lifted. As at the Latest Practicable Date, we have submitted eight applications to SAPPRFT but we have not obtained any pre-approvals for new game products after the aforesaid suspension of approval procedures. We obtained the most recent pre-approval from the SAPPRFT at the national level for the publication of our new game in January 2018 and the most recent new game launched by us was in March 2018, prior to the suspension. Our Directors consider that the aforesaid suspension of approval of publication or post-filing of new online games will not affect our Group's business and future prospects due to the following reasons:

- (i) as advised by our PRC Legal Advisor, according to the Circular, if the launching of new game variations or versions of our existing games involves upgrading works and introduction of new information (i.e. substantial change of plots, tasks, maps, personalities of characters, characteristics of roles, and player interaction functions; together with a change in the name of the game by supplementing the existing name such as “[Existing name of game + subtitle]”, “New [existing name of game]” or “[Existing name of game] 2” for promotional purpose), such upgrading works shall be deemed as new work products and relevant approval from the SAPPRFT should be obtained. As many of the game variations to be launched by our Group only involve minor changes to the rules of the existing games and do not involve introduction of new information as described under the Circular, we are not required to obtain further approval prior to launching such game variations;
- (ii) as of the Latest Practicable Date, we have obtained pre-approval for and utilised 83 game registrations from SAPPRFT, which covers all of our 508 mobile game products. As advised by our PRC Legal Advisor, based on its review of the information on the 508 mobile game products and taking into account that the game products other than those that are already covered by the 83 pre-approved game registrations are in the same categories as, and developed based on, those covered by the 83 pre-approved game registrations and they do not involve changes or upgrading works stipulated in the Circular which would be categorized as new work products, our Group was not required to obtain further approval prior to launching these game products. In addition, currently, we have obtained pre-approval for a total of 42 Mahjong, 13 poker and 2 casual game registrations from the SAPPRFT, for which the relevant games have yet to be launched. Multiple localized variations of Mahjong and poker game variations, as well as casual games can be included in these pre-approved game registrations. We estimate that these pre-approved registrations can cover our games to be launched according to market conditions in the next two years;
- (iii) on October 11, 2018, the General Office of the State Council promulgated the Implementation Scheme of Improvement and Promotion of Consumption Mechanism (2018-2020) (《完善促進消費體制機制實施方案(2018-2020年)》) (the “**Scheme**”), which expressly calls for developing digital cultural content such as digital video and audio, animation and games and online literature, promoting transformation and upgrading of online games, as well as standardising and regulating development, publishing and operation of online games. Although the pre-approval procedure for domestic online games is not explicitly mentioned in the Scheme, our PRC Legal Advisor is of the view that the promulgation of the Scheme indicates the relevant rules are expected to be promulgated;

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- (iv) based on the information released on the website of the SAPPRFT, 164 domestic online games have obtained pre-approval in December 2018 and another 283, 279, 233 and 40 domestic online games have obtained pre-approval in January, February, March and April 2019, respectively, which indicates that the suspension of the pre-approval of domestic online games has been lifted; and
- (v) as advised by our PRC Legal Advisor, the Online Game Measures does not impose any post-filing requirements for variations of domestic online games which do not constitute new work products under the Circular and in any event the post-filing process of pre-approved games with the MOC is merely an administrative procedure.

OUR DISTRIBUTION CHANNELS

Our Proprietary Channel

We distribute our game products on both Android and iOS mobile operating systems. We primarily rely on our self-generated user traffic and distribute our mobile game products through our own websites or through our official social media accounts. A player can download and install our game products on our website by entering a mobile phone number and by scanning a QR code with his/her mobile phone.

The following are screenshots of our website and official social media account with WeChat, which show how a player can install our games.

Screenshot of our website:



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Screenshot of games available for download after scanning the QR code on our website:



微乐福建麻将

斗地主、福州麻将、厦门麻将、宁德麻将等闽南地区流行的**游戏合集**，玩



微乐家乡棋牌

原汁原味的家乡玩法。免钻石，免房卡，随时随地和朋友约起来！还能抢



微乐捕鱼千炮版

《微乐捕鱼千炮版》是一款支持多人同时在线的休闲益智类捕鱼游戏，真



微乐斗地主

免费福利赛、免费锦标赛等你来参加。斗地主、二人斗地主、跑得快、血

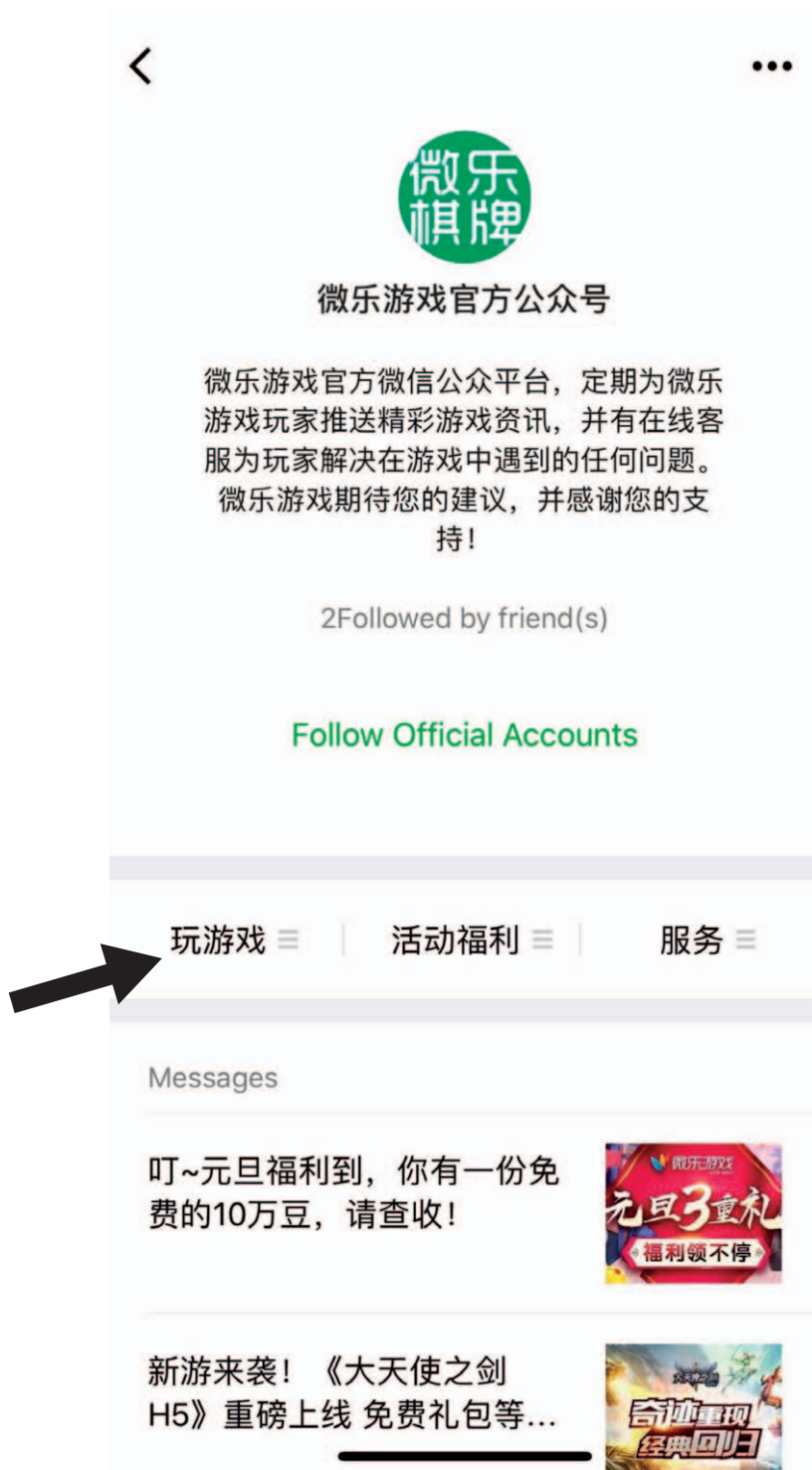


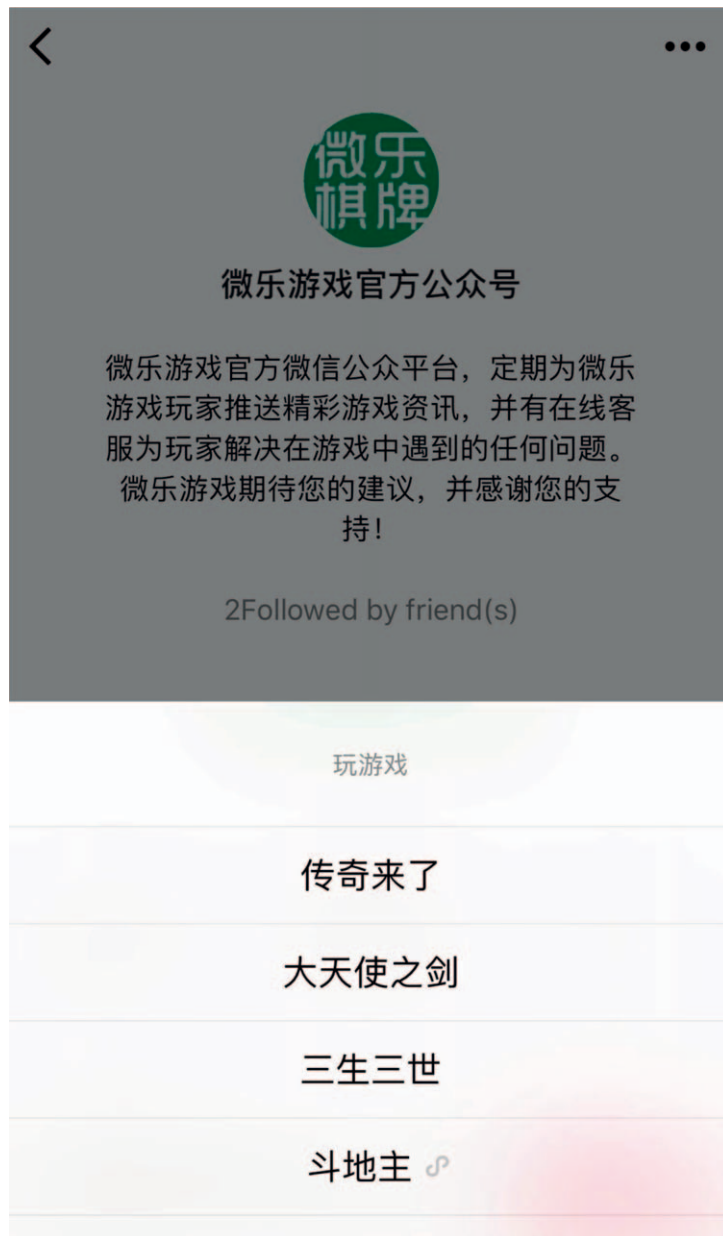
微乐天津麻将

天津地道棋牌玩法合集，录像回放+GPS定位约局更放心，无需输入房号



Screenshots of our official social media account with WeChat:





Up to the Latest Practicable Date, we have obtained pre-approval from the SAPPRFT for publishing all of our game products currently in operation and save for 27 game products, we have completed the filing procedures with the relevant government authorities. See “— Legal Proceedings and Compliance — Non-compliance Incidents” below for more details.

Third-party Distribution Channels

In addition, we also utilize various third-party game distribution channels, including cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc.'s App Store for the distribution and promotion of our game products. We entered into game promotion service agreements with game distribution channels or experienced online game marketing companies which are authorized agencies of the distribution channels. Under the game promotion service agreements, the distribution channels or the authorized marketing agency companies are generally responsible for publishing and promoting our mobile game products on the designated platforms and reviewing and censoring the content of such mobile game products. The game distribution channels are also obliged to ensure the legitimate and proper operation of their respective platforms and systems, and to display our game products thereon subject to the detailed arrangements provided in the agreements. We undertake in these agreements that the contents of our game products are in compliance with applicable PRC laws and regulations and we are responsible for any losses incurred by publishers as a result of any regulatory non-compliance of our game products. Our game promotion agreements typically have a term which expires at the end of the calendar year to one year and generally can be renewed subject to mutual consent. We pay commission fees to our game distribution channels which are calculated by applying a percentage of 50% or 60% to our sales proceeds net of a payment service fee. The payment service fee ranges from 2.5% to 5% of the sales proceeds although for one particular distribution channel, the payment service fee is levied at 25%. Therefore, the proceeds we receive for sales through third-party distribution channels are 40% to 50% of the sales proceeds paid by players less payment service fees at the aforementioned rates. Due to the nature and strong market position of these game distribution channels, the arrangements with such game distribution channels are generally standard and we have little bargaining power. Given the high rates of commission fees payable to our third-party distribution channels and that we have little bargaining power in negotiating the terms of distribution with them, we decided to offer our games primarily through our proprietary channel and rely less on the third-party distribution channels.

We typically settle the proceeds from the sales of our virtual tokens with third-party game distribution platforms on a monthly basis upon mutual confirmation of the total proceeds collected and after deducting commission fees and payment service fees.

For the three years ended December 31, 2016, 2017 and 2018, the net proceeds we received for sales through third-party distribution channels are RMB6.5 million, RMB13.8 million and RMB74.5 million, respectively, while the total sales proceeds for the same periods are approximately RMB55.7 million, RMB294.8 million and RMB454.5 million, respectively.

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The following table shows the amounts and percentage of sales proceeds received by us through our proprietary channels and third-party distribution channels for the periods indicated.

	For the year ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Proprietary Channel	49,136	88.3	280,946	95.3	379,989	83.6
Third-party Distribution Channels						
Huawei	—	—	230	0.1	11,943	2.6
OPPO	1,120	2.0	3,294	1.1	9,055	2.0
Vivo	—	—	—	—	7,706	1.7
Tencent MyApp	—	—	3,815	1.3	24,393	5.4
Apple Inc.'s App Store	5,410	9.7	6,476	2.2	8,391	1.8
Others	—	—	—	—	13,010	2.9
Sub-total	<u>6,530</u>	<u>11.7</u>	<u>13,815</u>	<u>4.7</u>	<u>74,498</u>	<u>16.4</u>
Total	<u><u>55,666</u></u>	<u><u>100.0</u></u>	<u><u>294,761</u></u>	<u><u>100.0</u></u>	<u><u>454,487</u></u>	<u><u>100.0</u></u>

We first established business relationships with third-party game distribution channels in 2013.

In the third quarter of 2018, Apple Inc., one of our third-party distribution channels, has removed a large number of apps from its App Store in China as a result of the inspection conducted by Apple Inc. 19 of our game apps were taken off-the-shelf of Apple Inc.'s App Store in August 2018. Out of those 19 game apps that were taken off-the-shelf, 18 of them were due to duplication of content and functionality with other apps submitted by us or another developer to the App Store, while the remaining one was due to the name used to apply for such app does not match the legal entity that owns or has licensed the intellectual property for services provided by the app, although both the name used for application of such app and the legal entity that owns the intellectual property belongs to our Group. As of the Latest Practicable Date, we had one mobile game app that was available for download from Apple Inc.'s App Store. As advised by our PRC Legal Advisor, there is no legal implication to our Group as a result of the removal of our Group's game apps from Apple Inc.'s App Store from a PRC legal perspective. Players who have previously downloaded our mobile apps may continue to access and play our game products via the already downloaded mobile apps, but users will not be able to find and download these apps from Apple Inc.'s App Store which have been taken off-the-shelf. During the three years ended December 31, 2016, 2017 and 2018, the amounts of sales proceeds received by us through Apple Inc.'s App Store only amounted to approximately RMB5.4 million, RMB6.5 million and RMB8.4 million, respectively, representing 9.7%, 2.2% and 1.8% of our total sales proceeds, respectively. As only a small portion of our sales proceeds were derived from the distribution channel of Apple Inc.'s App Store during the Track Record Period, we do not consider this incident to have material adverse effect on our financial results.

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PAYMENT VENDORS

We offer our players accessing our game products via our proprietary channel a variety of payment options, including WeChat Pay, Alipay, Union Mobile Pay and YeePay, to provide flexibility and convenience.

We have entered into contracts with our third-party payment vendors on their standard terms and conditions. These agreements generally have a term of one year subject to auto-renewal upon expiration unless either party provides prior written notice not to renew. These third-party payment vendors charge us payment handling fees at flat rates (which are generally not subject to negotiation) ranging from 1% to 4% of the total amounts paid by our players through these payment vendors. We do not make any refunds to players for payments made through these payment vendors. Under the agreements with our third-party payment vendors, the third-party payment vendors are generally responsible for the operation and management of their payment systems to ensure the payment service is properly and timely delivered. We are generally obliged to use reasonable care to maintain the integrity and safety of the payment systems of such payment vendors, such as ensuring the user account safety and our network and website security, and cooperating with the payment vendors with respect to their fraud detection and other risk management arrangements.

The following table sets forth our payment vendors, in terms of sales proceeds paid through the payment vendors during the Track Record Period.

		For the year ended December 31,					
		2016		2017		2018	
Rank	Payment Vendors	Sales	% of Total	Sales	% of Total	Sales	% of Total
		Proceeds	Sales	Proceeds	Sales	Proceeds	Sales
		Paid	Paid	Paid	Paid	Paid	Paid
		Through	Through	Through	Through	Through	Through
		RMB'000	%	RMB'000	%	RMB'000	%
1	WeChat Pay	33,781	68.7	251,840	93.5	365,729	96.2
2	AliPay	11,532	23.5	15,909	5.9	14,258	3.8
3	Union Mobile Pay	3,716	7.6	1,535	0.6	—	—
4	YeePay	107	0.2	12	0.0	—	—

GAME MONETIZATION

All of our mobile game apps are free to download. By allowing players to play our game products without upfront costs, we are able to attract new players to experience our game products for the purpose of developing a large player base. Once players become interested in our game products, they may choose to continue their game sessions and/or enhance their experience by purchasing virtual tokens.

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Leveraging our integrated backend system, our players are able to download one app and use the same player account to conveniently access and play all of our other game products on the same integrated game platform without downloading additional apps. Virtual tokens and other virtual products under one single player account can also be consumed in all the game products on the same platform.

Virtual Tokens

Virtual tokens are required to play our game products other than game products offered in our private game rooms. We offer our players a small number of virtual tokens upon initial installation and up to five times daily. Players may choose to purchase additional virtual tokens so that they can continue to play after they have used up their free tokens for the day or to enter higher level games or otherwise enhance their playing experience.

Virtual tokens can be used to exchange in-game virtual items to enhance game experience but cannot be exchanged for cash or cash equivalents offline or outside our game apps. In addition to offering a small number of free virtual tokens to each player, we from time to time release in-game missions or events to grant players opportunities to win comeback bonuses after achieving a consecutive log-in for a certain period of time or certain number of cumulative in-game time/game sessions, as well as bonus virtual tokens, honorary titles and virtual vouchers upon the completion of such missions. After accumulating a certain number of virtual vouchers, players may be awarded gift certificates, which can be redeemed for small real world gifts, such as mobile phone recharge cards and small electronic devices. The monetary values of these small real world gifts vary and range from RMB20 to RMB1,000, depending on the number of gift certificates used for redemption. The aggregate monetary amounts of real world gifts, including WeChat red packets, mobile phone recharge cards and other small electronic devices given to players were RMB6.4 million, RMB21.9 million and RMB11.8 million for the years ended December 31, 2016, 2017 and 2018, respectively. Our PRC Legal Advisor is of the view that such awarding of gift certificates or redemption does not violate the Anti-gambling Notice and the Virtual Currency Notice as (i) the awards are not given as a result of players paying any cash or spending virtual tokens; and (ii) the gift certificates may only be obtained after accumulating a certain number of virtual vouchers upon completion of certain in-game missions by the players, such as consecutive log-ins for a certain period of time. Such gift certificates are not, and cannot be exchanged from, game points recorded in private game rooms or virtual tokens.

Private Game Room Cards

Recognizing the increasing needs for socialising functions in mobile games, in 2017, we introduced the private game room function to some of our Mahjong and poker game variations, an enhanced mode which allows a player to initiate and pay for a game session in a virtual “game room” and then invite other known players to join the session by entering a passcode sent to him or her by the initiating player. We charge the initiating player a fixed rate for each game session. Virtual tokens are not needed to play our game variations in a private game room session.

We currently offer private game room cards for a small number of our Mahjong and poker game variations, such as Fight the Landlord (鬥地主).

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During the Track Record Period, we generated substantially all of our revenue from the sales of virtual tokens and private game room cards. We book the purchases of virtual tokens and private game room cards as deferred revenue and purchases are only recognized as revenue when virtual tokens and private game room cards are consumed. See “Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition” for more details.

We started considering the feasibility of private game room function initially in August 2016 and spent a few months on product development including analyzing the type of game products, interface and features of this function, target audience and promotion strategy before formally launching the function in March 2017. Prior to the launch, a few rounds of testing and adjustments had been made to ensure minimal defects of the private game room function. Shortly after we launched the game products with private game room function, those game products gained popularity in Jilin province and we generated a significant amount of revenue in 2017 through the sales of private game room cards.

In addition to our effort in preparation of the private game room function before launching, we believe that our success in launching private game room cards was also attributable to our offline game promotion capability as complemented by our in-app advertisements and social media promotions, as well as the strategic timing for introduction of the game products with private game room function in March when the weather in Jilin was cold as we believed that our target audience would likely engage in indoor activities in such weather condition. We also benefitted from the increase in sales of private game room cards through referrals by users sharing the game products with private game room function in social media, such as WeChat. Through our market research and field study, we have identified our target audience by age group, location and occupation.

As part of our offline game promotion activities, we engaged three small local third party agencies since May 2017 to conduct offline marketing and promotion of private game room cards according to the specifications of our target audience at locations where we believe that these local agencies will have a higher reach of target audience. We have only engaged third party agencies for marketing our private game room business and have not engaged any third party agents or distributors for the sales of private game room cards and our PRC Legal Advisor has confirmed that our marketing practice in respect of our private game room cards complies with all the applicable PRC laws and regulations. According to the F&S Report, it is a common industry practice for mobile game operators to engage third party agencies to conduct offline marketing and promotion.

The three third party agencies are Qiananxian Haotian Network Technology Limited (乾安縣昊天網絡科技公司) (“**Haotian**”), Jinan Yingle Network Technology Limited (濟南迎樂網絡科技有限公司) (“**Yingle**”) and Changchunshi Tengyue Culture Media Limited (長春市騰越文化傳媒有限公司) (“**Tengyue**”). Haotian was established in 2017 in Qianan county, Jilin Province in the PRC and has around 10 employees as of the Latest Practicable Date. Yingle was established in 2017 in Jinan city, Shandong Province in the PRC and has around 10 employees as of the Latest Practicable Date. Tengyue was established in 2018 in Changchun city, Jilin Province in the PRC and has around 25 employees as of the Latest Practicable Date. Each of Haotian, Yingle and Tengyue is principally

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engaged in the provision of marketing services and are independent third parties. The key person responsible for the business of each of the three third party agencies is acquainted with either our director or management in social occasion or by introduction and therefore each of them explored the business opportunity of servicing our Company by providing offline marketing and promotion services of private game room cards in their respective geographical region. As confirmed by the three third party agencies, as at the Latest Practicable Date, our Group is the sole client of each of the three third party agencies. To the best knowledge of our Directors, apart from our Company's director or management being acquainted with the key person responsible for the business of each of the three third party agencies and the provision of marketing and promotion services of private game room cards by the third party agencies as disclosed above, neither our Group nor any of our Directors, Shareholders, senior management or their associates has any other business with or interest in or has past or present relationship (business or otherwise) with these third party agencies or their associates. The promotion fees paid by us to these third party agencies were nil, RMB1.1 million and RMB6.8 million for the years ended December 31, 2016, 2017 and 2018, respectively. We entered into outsourcing agreements with each of them. The salient terms of the outsourcing agreements are:

Duration	One or two years
Responsibility of the third party agencies	<p>To carry out promotion activities such as posting banners, distributing leaflets, encouraging players to share our game products on WeChat by giving out small gifts such as tissue and lighters, and carrying out one-on-one promotion of our game products around shopping malls and mid to large scale wholesale markets.</p> <p>We believe that shopping malls and wholesale markets are areas where we can target housewives and workers who we believe have more idle time to play our game products. Furthermore, we also target areas close to Mahjong parlors and bath centers with Mahjong facilities where we believe we would be able to solicit players who would be more interested in our game products.</p>
Geographical coverage	Haotian, Yingle and Tengyue would conduct marketing and promotion of private game room cards in specified provinces and cities, being Tongliao city, Heze city and Heilongjiang province, respectively, under our instructions.
Training by us	We provide necessary information and training to the third party agencies so that they are familiar with our game products with private game room function.

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Promotion fees determination

The third party agencies are responsible for all costs associated with the promotion activities, including the costs of the small gifts such as tissue and lighters and all out-of-pocket expenses for preparing leaflets, banners and other promotion materials. Therefore, the promotion fees are determined with reference to the extent of promotion activities committed under the relevant outsourcing agreements and the associated costs as well as the number of active or paying players that the third party agencies can bring in.

We believe aligning the amount of promotion fees with the number of active or paying players brought in by the third party agencies will incentivize them to introduce users to our game products with private game room function.

Settlement of promotion fees

The amount of promotion fees payable to the three third party agencies is confirmed by us on either monthly basis or at the end of the contractual term pursuant to the terms of the current outsourcing agreements. We are required to settle the promotion fees within five working days thereafter.

The following table sets forth a breakdown of our revenue generated from sales of virtual tokens and sales of private game room cards during the Track Record Period:

	For the year ended December 31,					
	2016		2017		2018	
	RMB '000	%	RMB '000	%	RMB '000	%
Self-developed mobile game products:						
Virtual tokens	51,946	100.0	149,825	57.2	199,302	48.3
Private game room cards	—	—	111,926	42.8	213,149	51.7
Total	51,946	100.0	261,751	100.0	412,451	100.0

Pricing and Sales of Our Virtual Tokens and Private Game Room Cards

We price our virtual tokens and private game room cards by considering various factors, including players' purchasing habits in the target markets and the prices of tokens and private game room cards in similar games and functions offered by competitors. We may adjust the prices of our virtual tokens and private game room cards based on changes in the market and in our competitors' pricing. We may also modify our game rules which may result in the change of number of virtual tokens required for playing a specific game product or game session. We may from time to time launch

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promotional sales by providing discounts on players' in-game purchase. In order to maintain the value of our players' virtual tokens, we closely monitor the pricing system and the frequency or amount of free or bonus tokens to be awarded to our players from time to time. Currently, the minimum payment for every purchase of virtual tokens is RMB6.00 for every 60,000 virtual tokens, and we offer bulk purchase discounts. The more a player recharges his or her account with us, the higher level of VIP service he enjoys, entitling him to enjoy greater discounts, more free virtual items (such as emojis) for enhancing his game experience and higher stake game sessions. The price of private game room cards ranges from RMB200 per 150 cards to RMB400 per 200 cards and discounts are offered if further purchases are made in the same month.

Currently, virtual tokens and private game room cards are the only items in our self-developed mobile game products that may be purchased by players with real money.

In-game Consumption

We offer tiered difficulty options in order to engage players with different skill levels. We levy our players service charges in the form of virtual tokens at different rates depending on the game products and levels played. We design different levels for a same game product to cater for players with different skills and each level is categorized by a specific range of virtual token amounts. Our players may choose the game playing level based on the token range and the balance available in his or her player account.

Players win or lose virtual tokens in their accounts when they play each round of our games. We deduct virtual tokens at different pre-set rates from each player's account when he or she starts a game session.

Each private game room card allows players to play eight Mahjong game sessions or 12 to 16 poker game sessions.

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The following flowchart illustrates the relationship among us, our players, third-party game distribution channels and payment vendors as well as the flow of cash and typical economics within our ecosystem:



Due to our unified platform strategy and integrated game platforms, our players can use one single account to purchase virtual tokens and use them to play all of our game products on the same platform. Likewise, private game room cards can be used across different game products. Our players can access different game products through a single app. We recognize revenue when the virtual tokens and private game room cards are consumed. As (i) pricing of the virtual tokens is affected by the availability of free virtual token and/or discounts offered by our Group and the same virtual tokens (irrespective of their price) can be used in different game products; and (ii) the value of the virtual tokens may also depend on the games rules designed which determine the amount and speed of the consumption of such virtual tokens in each game session, it is not possible to determine the revenue contributed by each game product.

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Most of our games, including the most popular game categories of Mahjong and poker games such as “Fight the Landlord”, are the recreation of classic games with a long history in the real world. Therefore, we believe our Mahjong and poker game variations also have a relatively long life cycle. According to the F&S Report, game product life cycle refers to the life span of a game, which accounts for the time between the game first being launched to the market and the time when the game ceases to operate, and the average life cycle of Mahjong, poker and casual game products are 587 days, 498 days and 302 days as at 31 December 2018, respectively. Based on the average of the number of days between the launch date of each of our game products and December 31, 2018, our Mahjong, poker and casual game products have an average life of 450 days, 544 days and 303 days. Our game products are maintained on our integrated game platforms and therefore they are able to attain longer life cycles when compared to game operators which offer their games singly because players accessing our integrated game platforms are able to play multiple games. However, since we have continued to expand our product offering through the rapid development of Mahjong game variations during the Track Record Period, our Mahjong game products have a shorter average life cycle compared to the industry average. As the increase in number of our poker game products during the Track Record Period is not as significant, the impact of relatively shorter life cycles of the new game products is not material for our poker games. As such, our Mahjong game products have shorter average life cycle and our poker game products have longer average life cycle compared to industry averages and the average of the life cycle of our casual games is similar to the industry average.

We had an aggregate of 3,226,238 paying players in the year ended December 31, 2018. As the same virtual tokens or private game room cards can be used to play our different game products and it is in our interest that our players play our different game products, it is not practicable and we do not collect and analyze data relating to individual game products played by individual game players. However, based on the first registration dates of these paying players and the dates on which each of them last consumed virtual tokens or private game room cards, the average relationship period of paying players who consumed our virtual tokens is 270 days and that for private game room cards is 243 days.

In order to illustrate the relative importance of our major game products to us, the following table sets out the name, type, time of launch, rankings and percentages of total virtual tokens consumed for the top 20 game products in each of the years ended December 31, 2016, 2017 and 2018. The top 20 game products in terms of the percentage of virtual tokens consumed in each of 2016, 2017 and 2018 as well as those which ranked top 20 during the previous periods, together attribute to more than 72% of the total virtual tokens consumed in each period.

Name of game product	Type of game	Date of pre-approval from SAPPRT	Date of post-filing with MOC	Time of commencement of operation	For the year ended December 31,					
					2016		2017		2018	
					Ranking	% of total virtual tokens consumed	Ranking	% of total virtual tokens consumed	Ranking	% of total virtual tokens consumed
Fishing strike (微樂捕魚)	Casual games	February 13, 2017	April 7, 2017	February 13, 2017	—	—	13	2.2%	1	11.6%
Fight the Landlord (鬥地主)	Poker	September 2, 2013	December 28, 2015	July 7, 2014	2	10.7%	3	9.8%	2	7.3%

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Name of game product	Type of game	For the year ended December 31,								
		Date of pre-approval from SAPPRT	Date of post-filing with MOC	Time of commencement of operation	2016		2017		2018	
					Ranking	% of total virtual tokens consumed	Ranking	% of total virtual tokens consumed	Ranking	% of total virtual tokens consumed
Pin Shi (拼十)	Poker	October 18, 2016	August 3, 2016	October 18, 2016	3	10.5%	2	11.2%	3	5.9%
Changchun Mahjong (長春麻將)	Mahjong	September 2, 2013	December 28, 2015	August 14, 2014	4	7.2%	4	6.8%	4	5.0%
Songyuan Mahjong (松原麻將)	Mahjong	September 2, 2013	December 28, 2015	October 3, 2014	5	6.4%	6	4.5%	6	4.8%
Two-player Fight the Landlord (二人鬥地主)	Poker	September 2, 2013	December 28, 2015	November 14, 2014	8	4.6%	9	3.4%	7	4.6%
Texas hold'em (德州撲克)	Poker	September 2, 2013	December 28, 2015	October 6, 2014	1	28.0%	1	25.4%	5	3.6%
Three Against One (三打一)	Mahjong	November 17, 2016	July 12, 2016	November 17, 2016	7	5.3%	5	4.6%	8	3.3%
Winner (跑得快)	Poker	September 2, 2013	July 12, 2016	December 1, 2014	6	5.3%	7	4.4%	10	3.3%
JinSanShun (金三順)	Poker	November 18, 2016	December 28, 2015	November 18, 2016	—	—	—	—	9	3.0%
Two-player Mahjong (二人麻將)	Mahjong	September 2, 2013	August 3, 2016	November 2, 2014	9	3.9%	10	3.1%	11	2.7%
TianDaKeng (填大坑)	Mahjong	September 2, 2013	December 28, 2015	November 5, 2014	10	3.9%	8	3.6%	12	2.5%
Nanchang Mahjong (南昌麻將)	Mahjong	November 18, 2016	July 15, 2016	November 18, 2016	11	3.3%	12	2.5%	13	2.3%
Northern-style Pao Yao (東北刨么)	Mahjong	September 2, 2013	April 24, 2018	February 5, 2015	12	2.9%	11	2.7%	14	2.2%
Sanmenxia Mahjong (三門峽麻將)	Mahjong	August 30, 2017	August 23, 2017	August 30, 2017	—	—	18	1.0%	15	1.4%
Dingxi Mahjong (定西麻將)	Mahjong	September 20, 2017	August 14, 2017	March 2, 2018	—	—	—	—	17	1.2%
Gouji (夠級)	Poker	November 9, 2016	March 10, 2017	February 7, 2018	—	—	—	—	16	1.2%
XieLiuChengHe (血流成河)	Mahjong	February 13, 2017	October 25, 2016	May 10, 2017	—	—	17	1.1%	19	1.1%
ErQiWang (二七王)	Mahjong	October 18, 2016	December 21, 2016	April 6, 2018	—	—	—	—	18	1.1%
Kaili Mahjong (凱里麻將)	Mahjong	November 18, 2016	April 24, 2018	April 2, 2018	—	—	—	—	20	1.0%
Zunyi Mahjong (遵義麻將)	Mahjong	November 18, 2016	April 24, 2018	November 18, 2016	13	1.5%	14	1.7%	92 ^(Note)	0.1%
Xinmin Mahjong (新民麻將)	Mahjong	February 13, 2017	July 28, 2017	March 21, 2017	—	—	15	1.3%	42 ^(Note)	0.6%
ErDingGuai (二丁拐)	Mahjong	November 18, 2016	April 24, 2018	November 18, 2016	14	1.4%	16	1.3%	24	0.8%
Nongan Mahjong (農安麻將)	Mahjong	September 2, 2013	December 28, 2015	September 9, 2015	15	1.2%	19	0.9%	62 ^(Note)	0.3%
SanDingGuai (三丁拐)	Mahjong	November 18, 2016	April 24, 2018	November 18, 2016	16	1.2%	20	0.8%	49	0.5%
Yushu Mahjong (榆樹麻將)	Mahjong	September 2, 2013	April 24, 2018	July 1, 2015	17	0.5%	25	0.5%	79	0.1%
SiChong (四沖)	Mahjong	November 4, 2016	June 29, 2016	November 8, 2016	18	0.4%	33	0.2%	74	0.1%

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Name of game product	Type of game	Date of pre-approval from SAPPFT	Date of post-filing with MOC	Time of commencement of operation	For the year ended December 31,					
					2016		2017		2018	
					Ranking	% of total virtual tokens consumed	Ranking	% of total virtual tokens consumed	Ranking	% of total virtual tokens consumed
Tianjin Mahjong (天津麻將)	Mahjong	November 9, 2016	April 24, 2018	November 9, 2016	19	0.4%	28	0.3%	66	0.3%
XieZhanDaoDi (血戰到底)	Mahjong	September 2, 2013	December 28, 2015	December 1, 2014	20	0.3%	44	0.1%	93	0.1%
Total						98.8%		93.3%		72.0%

Note: The relative popularity of these games decreased rather significantly in the year ended December 31, 2018 largely because our Group has launched 246 additional new game products in the same period including Mahjong game variations with regional rules in nearby localities. Therefore, the relative popularity of these games dropped as the newly launched game products benefited more from our increased advertisements and online and offline promotion activities.

The following table sets out the name, type, time of launch, rankings and percentages of total private game room cards consumed for the top 5 game products in terms of the percentage of private game room cards consumed for the years ended December 31, 2017 and 2018. In each of these periods, the top 5 game products attribute to more than 80% of the total private game room cards consumed in that period.

Name of game product	Type of game	Date of pre-approval from SAPPFT	Date of post-filing with MOC	Time of commencement of operation	For the year ended December 31,			
					2017(<i>Note</i>)		2018	
					Ranking	% of total private game room cards consumed	Ranking	% of total private game room cards consumed
Changchun Mahjong (長春麻將)	Mahjong	July 13, 2017	June 29, 2017	July 13, 2017	1	48.4%	1	36.6%
TianTianTi (天天踢)	Mahjong	June 26, 2017	April 24, 2018	June 26, 2017	3	15.1%	2	16.6%
SongYuanKuaiTing (松原快聽)	Mahjong	June 29, 2017	June 28, 2017	June 29, 2017	2	15.1%	3	14.4%
Jilin Mahjong (吉林麻將)	Mahjong	July 13, 2017	June 28, 2017	July 13, 2017	4	5.2%	4	7.7%
Lishu Mahjong (梨樹麻將)	Mahjong	August 7, 2017	June 28, 2017	August 7, 2017	5	4.4%	5	5.1%
Total						88.2%		80.4%

Note: Private game room function was introduced in March 2017

Monetization Measures

During the Track Record Period, we have enhanced the monetization of our mobile game products through the following measures:

Expanding our player base

Our rich localized game portfolio, together with our strong marketing capacities, advanced technology infrastructure and well-established brand name, have enabled us to continuously attract new players and expand our player base, as well as retain existing players. In addition, leveraging our unified game platform strategy, players initially interested in one game product may choose to experience other game products which are easily accessible on our platforms, thus further increasing player stickiness and potential monetization opportunities. In this regard, we shall continue to develop additional localized game variations covering additional regions to attract more players, in particular targeting tier-3 or tier-4 cities or counties.

Moreover, our game products also provide one-click service to enable and encourage players to share their game experience, results and awards with family and friends on popular social media, such as WeChat, which in turn, may invite potential players to our platforms.

Converting non-paying players to paying players

We give players limited numbers of free virtual tokens upon initial installation and up to five times a day in order to entice them to try our game products and allow them to play without any initial cost. If players enjoy the game products, they are encouraged to purchase additional virtual tokens and private game room cards to enhance their experience. We believe our virtual tokens and private game room cards are priced reasonably so as to encourage non-paying players to make their first purchases.

Further, virtual tokens purchased under a single account can be used in all of our game products on the same integrated game platform, so that players who may initially be reluctant to pay for any one particular game product may nevertheless be willing to purchase tokens for use in a variety of game products.

Going forward, we shall continue to monitor closely the consumption pattern of our newly registered players and may increase the initial free virtual tokens to incentivize them to become paying players.

Increasing payments by paying players

We have implemented measures to increase payments by existing paying players. For example, we occasionally offer in-game promotions, such as offering bonus virtual tokens and introducing in-game missions or events which allow players the opportunities to win small real world gifts. We typically run promotions around holidays and special events. We may also, depending on the consumption pattern of individual players, raise their VIP status or otherwise entice them to play at higher stake game sessions. Furthermore, we plan to charge real money for additional virtual items, such as emojis.

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Our launch of private virtual game rooms for selected game products in 2017 has proven to be exceedingly popular and has generated increases in both the number of paying players and the amount of payments by paying players.

The following table sets forth our cumulative registered players, paying players, DAUs and ARPPU for and as of the periods indicated.

	As of December 31,		
	2016	2017	2018
Cumulative registered players	16,281,439	53,607,886	97,096,281
DAUs	1,709,305	4,607,861	5,204,977
	For the year ended December 31,		
	2016	2017	2018
Paying players	878,834	3,128,514	3,226,238
ARPPU (in RMB)	4.93	6.97	11.36

With our strong offline promotion capability, our proprietary distribution channel has helped us effectively acquire players at relatively low cost. The number of paying players increased by 2,347,404 from 878,834 for the year ended December 31, 2016 to 3,226,238 for the year ended December 31, 2018. Based on our selling and marketing expenses of RMB8.8 million, RMB38.9 million and RMB46.6 million for the three years ended December 31, 2016, 2017 and 2018, we have incurred a total amount of RMB94.3 million of selling and marketing expenses during which period we have added 2,347,404 paying players, representing an acquisition cost of approximately RMB40.2 per paying player.

The number of our registered players and paying players grew continuously in 2016 and 2017 as we significantly enhanced our marketing efforts during such period to accelerate our business expansion. The rapid player acquisition, however, attracted a large number of new players who were enticed by various in-game promotions and reluctant to make additional purchases, thus, normalized our ARPPU in 2016 and 2017. Our ARPPU increased considerably during the year ended December 31, 2018, reflecting the increasing stickiness of our paying player portfolio. Similarly, due to the increasing number of our mobile game products and their popularity, our DAUs continued to grow during the Track Record Period.

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The following table sets forth the breakdown of our cumulative registered players, paying players, MAUs, MPUs, DAUs, ARPPU and average paying player conversion rate by virtual tokens and private game room cards for the periods indicated.

	For the year ended December 31,		
	2016	2017	2018
Virtual tokens			
Cumulative registered players (as of year end) . .	16,281,439	49,250,387	90,644,106
Paying players	878,834	3,062,165	3,129,826
MAU	1,472,397	5,905,499	10,373,599
MPU	137,976	401,829	473,934
DAU (as of year end)	1,709,305	3,978,560	4,502,857
ARPPU (in RMB)	4.93	4.08	6.03
Average paying player conversion rate	9.37%	6.80%	4.57%
Private game room cards			
Cumulative registered players (as of year end) . .	0 ^(Note)	4,357,499	6,452,175
Paying players	0 ^(Note)	66,349	96,412
MAU	0 ^(Note)	1,030,839	1,419,131
MPU	0 ^(Note)	12,607	17,702
DAU (as of year end)	0 ^(Note)	629,301	702,120
ARPPU (in RMB)	0 ^(Note)	173.74	184.23
Average paying player conversion rate	0 ^(Note)	1.22%	1.25%

Note: Private game room function was introduced in March 2017

The number of cumulative registered players, paying players, MAU, MPU and DAU for our game products using virtual tokens increased significantly in 2017 as compared to 2016 due to our growing mobile game portfolio and our enhanced marketing effort to accelerate our business expansion including offering in-game promotions such as bonus virtual tokens. The growth in the number of paying players and MPU slowed down in 2018 as we have developed private game room function since March 2017 and as part of our marketing strategy, we have steered players to play our games with private game room card function. Hence, the average paying player conversion rate for our game products using virtual tokens has also dropped in 2018.

The number of our cumulative registered players, paying players, MAU, MPU and DAU for our game products using private game room cards in 2018 increased significantly compared to 2017 due to our marketing effort to acquire and retain players through placing advertisements and promotion on popular social media platforms and third-party online distribution channels, organizing promotion activities for players of our existing games by offering free private game room cards, as well as our offline marketing efforts. Our average paying player conversion rate for our game products using private game room cards has remained stable in 2017 and 2018.

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Unlike our virtual tokens which may be offered to players for free or at a discount in order to attract players and may be won in games by players which can then be used for their continual playing of our games, private game room cards are consumed immediately when a player initiates the private game room function. We charge the player initiating a private game room a fixed rate for each game session and no virtual tokens are needed to play a game in a private game room session. Therefore, as soon as a player initiates a private game room, a game room card is consumed. There is no winning or losing of private game room cards. As such, the monetary amount spent by players on private game room cards is naturally higher than virtual tokens where players can win tokens and obtain free tokens and use them to play our games.

The ARPPU of virtual tokens increased to RMB6.03 for the year ended December 31, 2018 due to our distribution of third-party mobile games since August 2018 as these games have higher ARPPU than our self-developed games and also our enhanced effort to retain players such as introducing in-game missions or events, raising the VIP status of players depending on their consumption pattern and sponsoring game tournaments, which increased stickiness of our players and resulted in an increase in ARPPU of virtual tokens.

The ARPPU of private game room cards for the year ended December 31, 2017 was RMB173.74, being approximately 42.6 times of the ARPPU of RMB4.08 in respect of virtual tokens for the same period. The ARPPU of private game room cards increased by 6.04% to RMB184.23 for the year ended December 31, 2018, reflecting the increased stickiness of our Group's players. We believe that the increase in player stickiness is due to the introduction in 2018 of two-player and three-player Mahjong games to our private game room card function so that an initiating player can invite fewer friends (one or two other player(s) for a two-player or three-player mahjong game, instead of three other players for a four-player Mahjong game), as well as the function of adding friends within our game platform, instead of having to switch to other social media such as WeChat to invite friends, thereby improving the easiness and reducing the waiting time for a game session to commence.

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The following table sets forth the number of paying players by range of spending on our virtual tokens and private game room cards for the periods indicated.

	For the year ended December 31,		
	2016	2017	2018
Virtual tokens			
<i>RMB</i>			
0 – 100	753,588	2,741,321	2,789,593
101 – 1,000	124,811	298,562	304,732
1,001 – 10,000	435	21,364	32,305
> 10,000	—	918	3,196
 Private game room cards			
<i>RMB</i>			
0 – 100	0 ^(Note)	12	7,996
101 – 1,000	0 ^(Note)	27,528	37,622
1,001 – 10,000	0 ^(Note)	37,270	46,993
> 10,000	0 ^(Note)	1,539	3,801

Note: Private game room function was introduced in March 2017

GAME DEVELOPMENT AND OPERATION

Research and Development Team

We have established a strong in-house game development team. As of December 31, 2018, our research and development team had a total 67 members. Due to our strategic focus on localized variations of Mahjong and poker games, we have set up a dedicated card and board game division, under which multiple teams are established to specialize in the localization of Mahjong and poker games based on the geographic locations of the game variations. Our research and development personnel has an average industry experience of over 5 years. Among our research and development personnel, approximately 42% hold bachelor's or higher degrees in information technology, computer science, software engineering or other related majors. Mr. Guo Shunshun, an executive Director and the chief product officer of the Group, is primarily responsible for our product development. For the qualifications and experience of Mr. Guo Shunshun, see the section headed "Directors and Senior Management".

Our research and development team is responsible for reviewing and analyzing the information collected from the field studies on local game culture and rules. It generally takes one to two weeks for an initial on-site visit and field study for a potential game. Our research and development team is also responsible for analyzing the technology related market intelligence, including those technical

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specifications of potential competing mobile games, if any. Our research and development staff are also responsible for user-interface design and testing for our new games, as well as various internal technical support and maintenance for our IT infrastructures on a daily basis. Our research and development team, together with our game development team, conducts core research and development activities which include game rule establishment, and game programming and coding for different mobile device operating systems. Unlike those real world Mahjong and poker games of which localized rules may seem to contain only minor modifications, programming and coding for mobile games may be subject to significant additional work if certain basic rules and algorithms are changed. In addition, any new game may bring new players to our platforms, thus, additional purchases or consumption derived from these new players for virtual tokens and private game room cards. We rely on our research and development team to ensure that our game environment is not adversely interrupted or affected by launching any new games or any new game rules.

We have made significant investment in research and development during the Track Record Period. Our research and development expenses represented approximately 10.2%, 8.9% and 7.6% of our total revenue for the years ended December 31, 2016, 2017 and 2018, respectively.

The table below shows a breakdown of our research and development expenses, which were included in our cost of sales in the consolidated statements of profit or loss and other comprehensive income, in each of the years ended December 31, 2016, 2017 and 2018.

	Year ended December 31,		
	2016	2017	2018
	(In RMB thousands)		
Employee benefit related expenses	2,556	20,806	26,895
Outsourcing and technical support service expenses	2,601	2,348	6,274
Others ⁽¹⁾	161	155	91
Total	5,318	23,309	33,260

Note:

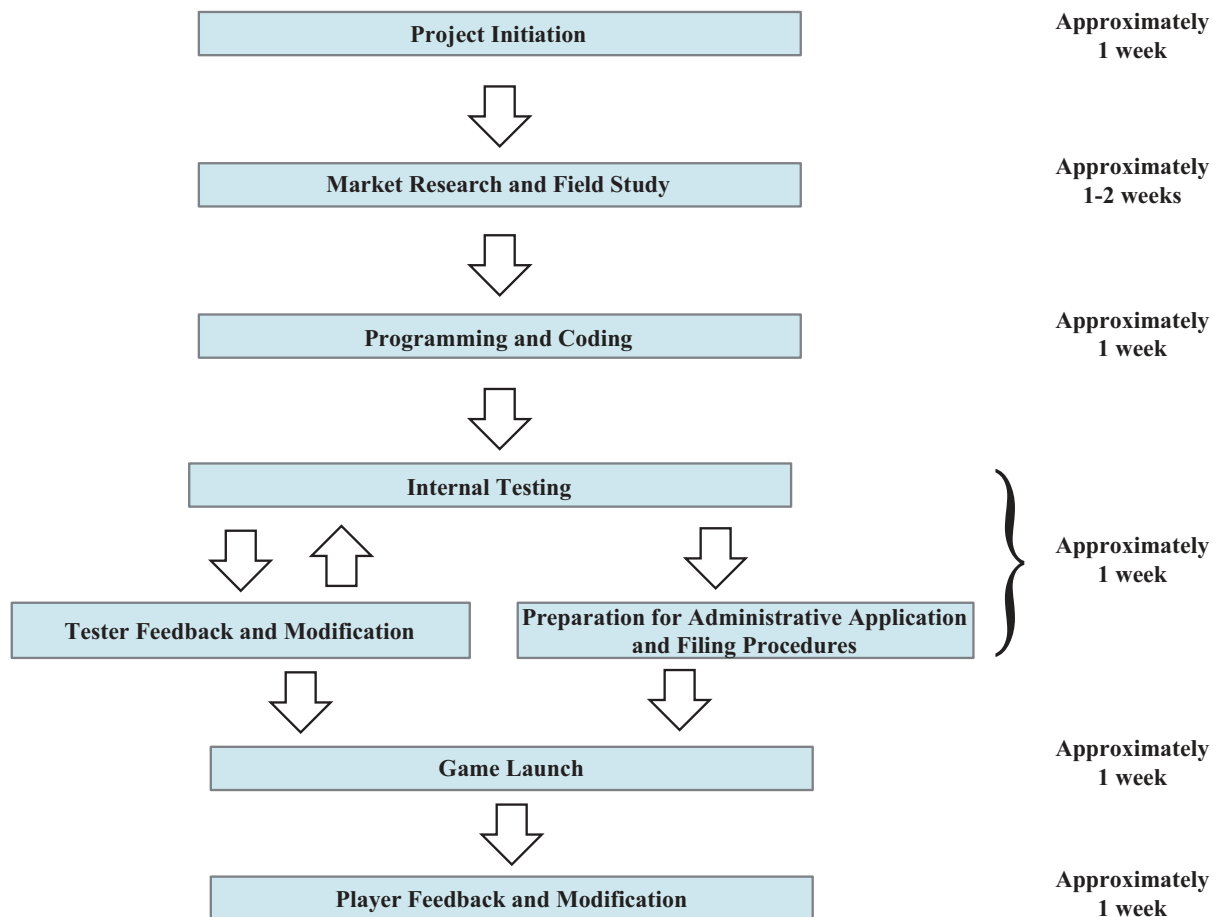
(1) Mainly represents software evaluation and testing expenses.

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Game Development Process

We have devised and implemented a structured and systematic game development process. Most of our games, including the most popular game categories of Mahjong and Fight the Landlord, are the recreation of classic games with a long history in the real world. As such, these games have well-established rules which enables us to minimize development costs associated with game design by leveraging our integrated game development system and process. For example, each of our Mahjong game variations shares basic features, such as tiles and multi-players, but has distinct playing and scoring rules. We are able to research and develop a Mahjong game variation around six weeks by embedding respective regional game rules after adopting standardized templates with existing graphics and visual designs.

The following diagram illustrates our game development process:



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Due to our special focus on localized mobile games targeting regional markets, we have placed a significant emphasis on field studies with respect to the culture of local mobile game market, local population and their purchasing power, the preferences and needs of the local target audience, the local game rules, as well as existing similar products and their competitiveness. Mr. Guo Shunshun, our Chief Product Officer and one of our executive Directors, is primarily responsible for our product development and oversees our game development as well as research and development teams. A dedicated development team will be assigned for each potential game product under development.

After an initial feasibility study, which incorporates the data collected from field studies and analyses the proposed key features and design of the new game product, is completed, the responsible game development team will prepare a project proposal, which includes analysis on core gameplay mechanisms, market positioning, target player base and competition with comparable games. The project proposal will be reviewed by senior management including our chief executive officer and our chief product officer, as well as other personnel responsible for game development, design and marketing.

Once a new game project proposal is approved, the relevant development team will be responsible for the programming and coding as well as the test implementation. Each new game product will subsequently undergo internal testing conducted by our testing department. Feedback for improvement and defects identified in a game product during the testing process will be sent back to the game development team, which will make adjustments according to the feedback and fix the defects identified. Following several rounds of testing and upon achieving satisfactory results, we will officially release the new game product by uploading the game package onto server networks of our own game platform and our various game distribution channels for players to access and download. Our marketing team will also be involved at an early stage to design promotional activities that best suit the game product and the target regional market.

Game Maintenance and Upgrades

After a game product is launched, we will continue to monitor its performance and address any problems that may arise. We have engineers providing services and supports for each game product in operation on an ongoing basis. We will continually collect and analyze the playing behavior and purchase patterns of our players which will facilitate us to better understand our players' needs and preferences, improve our game functions and enhance player experience. See “— Data Analytics” below for more details.

Due to the nature of our game products, they do not require frequent upgrades or updates. However, based on players' feedback, we occasionally modify the rules, graphics and other aspects of our games in order to improve player experience.

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Technology Infrastructure

We have invested heavily in our self-developed integrated game development system and process to create a solid foundation for game development and an enjoyable player experience. The integrated game development system and process enables us to minimize development costs associated with game design, since most of our game products share basic features and established rules. Our integrated backend system supports all of our game products and our players are able to use the same player account in one game app to conveniently access and play all of our other game products on the same integrated game platform without downloading additional apps. Virtual tokens and other virtual products under a single player account can also be consumed in all of our other game products on the same integrated game platform.

Our game portfolio and player base are supported by a stable and powerful network infrastructure. All of our game products involve real-time interaction, requiring our server network to respond promptly with low latency. We have a dedicated team constantly monitoring the performance and security of our servers. As of the Latest Practicable Date, we owned over 50 servers hosted in internet data centers in Beijing which archive and support our major algorithms. We also engage reputable cloud server providers in China to support the login servers. We have entered into annually renewable service agreements with data center and cloud server service providers. These service providers are generally responsible for providing server hosting services with stable power supply, Internet connection facilities and firewall monitoring services that can meet our needs. We pay service fees subject to the terms of the service agreements which are typically calculated on the basis of the bandwidth utilized. For the leasing of servers, service fees are based on the number of servers leased by us. We are fully responsible for the content and information stored and published on the servers and these service providers are entitled to terminate the agreements with us if we are found to be in violation of applicable laws and regulations.

Our powerful network infrastructure currently can support hundreds of thousands of players concurrently. We believe that our current network facilities provide us with sufficient capacity to carry out our current operations and that we are able to expand such facilities to meet additional capacity requirements relatively quickly and with minimum incremental cost.

Data Analytics

We use data analytics to collect and analyze a wide array of data that enable us to continuously optimize our game products and player experience. Our customer service team is responsible for data analysis.

We track and analyze players' in-game behavior, such as gameplay time, number of games or game sessions played, purchase patterns, and receptiveness to promotional activities. By generating a better understanding of the characteristics of our players, we are able to evaluate and improve our game functions, optimize our marketing efforts, modify game economies by adjusting game rules, increase player stickiness, improve the conversion of non-paying players to paying players and increase sales of virtual tokens and private game room cards. For example, we carefully reviewed and analyzed the marketing effects of various promotional activities launched during the Chinese New

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Year of 2018 and the related player feedback. The insights enabled us to improve our design of similar promotions in the future to better attract targeted potential players and achieve anticipated effects. We plan to further develop our data analytics capability to collect a broader range of data with greater accuracy.

Anti-attack System and Data Security

The security and stability of our technology infrastructure is critical to our game operations, player experience and reputation. We have developed robust network security systems to safeguard against DDoS and other types of malicious attacks. In addition to our in-house capacities, we also outsource cybersecurity services to a professional agency to further safeguard our network infrastructure. Under the relevant service agreement, the professional agency provides us with a broad suite of cybersecurity services, ranging from anti-DDoS pro-services, domain name system, or DNS, protection, and 24 x 7 corporate customer support. In addition, we leased high-performance cloud servers to collectively host, manage and process all of our non-core operating data, which act as gateways and prevent direct on-premises data access to our locally saved core data.

Nevertheless, we have experienced various hacking attacks in the ordinary course of business. During the years ended December 31, 2016, 2017 and 2018, we experienced 1,186, 2,314 and 976 hostile attacks, respectively. Such attacks did not result in any material interruption to our network infrastructure. The outsourced cybersecurity services we employed shall automatically detect and resolve the DDoS and DNS attacked within a certain degree. Once a material attack is detected, the cybersecurity service provide will alert us immediately and our technical team will promptly coordinate with it to diagnose and resolve the problems. We have not experienced any material interruption to our game operation nor any leakage of player information.

We have also implemented comprehensive risk management measures to protect the safety of our players' accounts and players' behavioral and purchase data. Such data are encrypted and protected by access control. We also maintain data back-up to reduce the possibility and impact of data loss.

We have established the following key internal control measures in relation to the management of anti-attack system and data security:

- (i) We have established Information Technology (“IT”) Security Policy and Data Security Policy, in accordance with “ISO/IEC 27001:2013” requirements, the international management standards for information security jointly published by the International Organization for Standardization and the International Electrotechnical Commission, to govern our anti-attack system and data security, which includes:
 - Requirements on Password Management;
 - User Account Access Management Procedures; and
 - Information Security Incident Management Procedures.

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All of our staff have access to the abovementioned policies which stipulate the IT security and data security requirements.

- (ii) Only authorized staff of our customer service department and database administrators have access to players' accounts and personal data. Moreover, we have implemented firewalls to prevent unauthorized users from gaining inappropriate access to database and information systems from external network. The details are as follows:
- servers for storing players' account data of Jiaxiang Interactive and Jilin Xinze have been managed by Beijing Muxiyuan Data Center. The data center has configured firewall to protect our network security. We have also enabled the built-in firewall function of the Windows operating system for the servers; and
 - recharge system for Jiaxiang Interactive and Jilin Xinze, and systems for Jilin Yuke are hosted on Ali Cloud Server and RDS database. We rely on Ali Cloud's network security services, including DDoS defense and web application layer firewall to protect any network attack. With reference to the System and Organization Controls report for the data security assessment performed by the service auditor, Ali Cloud has established and implemented controls on data center physical security, network separation, vulnerability scanning, and threats prevention.

Regulation of Game Environment

We have adopted policies and implemented various measures to regulate our game environment and prevent cheating, or inappropriate, unauthorized or illegal activities by our players or other third parties which we believe may have an adverse effect on player experience and game operation. We have established a set of user terms of service that sets out in detail our policies regarding player behavior and consequences of violating our user policies. Players are required to accept our terms of service before they can play our game products.

We use various methods to detect player cheating. Our system is embedded with GPS function to monitor players' locations based on their IP addresses. Other than players in private virtual game rooms, our system automatically disables the matchmaking of two players within a certain distance. All of our game sessions are automatically recorded and can be replayed by each player upon their request. We also encourage our players to report suspicious activities through our website or by telephone, email and instant messaging services.

In addition, under our game policies, we do not allow players to sell or transfer virtual tokens, private game room cards or other virtual items and hence they have no monetary value outside of our games. We do not permit, or facilitate in any manner, any sales and/or purchases of our virtual tokens, private game room cards and other virtual items through unauthorized third parties in exchange for real money or other real-world properties. We leverage our centralized data system to monitor abnormal player activities and unusual fluctuations in token balances.

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Our analytics system will report player accounts with repeated violations of our policies and to the relevant personnel for further investigation. Once cheating or other unlawful or inappropriate activity is detected and verified, depending on the nature and gravity of the violation and the track record of the relevant player account, we may terminate the player account permanently.

As advised by our PRC Legal Advisor, Mahjong and card games do not necessarily constitute gambling activities under PRC laws. Section 9 of the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Specific Application of Law in Hearing Gambling Criminal Cases (最高人民法院、最高人民檢察院關於辦理賭博刑事案件具體應用法律若干問題的解釋) (the “**Judicial Interpretations on Gambling**”) provides that those who engage in win-or-loss entertainments involving a small amount of cash or property for non-profit purposes, or provide chess and cards rooms or other entertainment venue and only charge for providing the venue and service fees shall not be regarded or punished as gambling. Therefore, betting on games including Mahjong, card or other games, whether online or offline and whether through our Group's private game room cards or otherwise, does not necessarily constitute gambling activities.

Our private game room only allows players who purchased private game room cards to invite other known players to play Mahjong or poker games in the private game rooms. We strictly prohibit players to engage in illegal gambling activities in the games offered by our Group, including those in private game rooms, whether offline or outside of our games. We also frequently publish in-game notifications to remind players of the prohibition. Our internal policies also strictly prohibit any participation in or provision of services to facilitate any gambling activities.

Moreover, no virtual token is used in the private game room and the game points, which are merely made available to players to record the game results, cannot be converted into cash or other things with monetary or intrinsic value in real life. We do not charge commissions in game room sessions. Therefore the private game rooms only provide a virtual venue for players' entertainment and we only charge a fixed rate for private room cards as fees for the use of such private game room function with no nexus to the result of the games, which falls under Section 9 of the Judicial Interpretations on Gambling. Therefore, the private game room function will not be regarded as “gambling” and our relevant game apps do not fall under the provision of “gambling website”, nor will it be regarded as online casino or a tool for gambling. Even if certain players' betting through offline channels on game products established using our Group's private room cards do constitute gambling activities, as advised by our PRC Legal Advisor, our Group will not be liable for such players' illegal conduct, nor will our Group be regarded as having participated in gambling activities.

We publish in-game notifications to alert players not to participate in any kind of gambling activities, which is in compliance with the Notice on Regulating the Order of Online Game Operations and Investigating and Banning Gambling Activities in Connection with 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告》. Furthermore, whilst we are not liable for any gambling activities of players as explained above, if any gambling activities have been reported to us by other players or if we became aware of any gambling activities conducted by players, the relevant players' account will be terminated permanently.

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Our ability to effectively regulate the game environment is essential for us to consistently maintain a healthy and pleasant game experience to all players.

We have obtained written confirmations from Jilin Provincial Cultural Market Inspection Division (吉林省文化市場稽查總隊), a unit directly subordinated to Jilin Province Department of Culture and Tourism (吉林省文化和旅遊廳) which confirm that Jilin Xinze and Jilin Yuke complied with all laws and regulations in respect of culture industry regulation and administration (including, inter alia, the Notice on Regulating the Order of Online Gaming Operations and Investigating and Banning Gambling Activities in Connection with 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》) from the date of incorporation till the date of the written confirmations, being February 13, 2019. As advised by our PRC Legal Advisor, Jilin Provincial Cultural Market Inspection Division (吉林省文化市場稽查總隊), a unit directly subordinated to Jilin Province Department of Culture and Tourism (吉林省文化和旅遊廳), which is responsible for the supervision of cultural market and internet market, is the competent government authority in charge of the online game operation business in which Jilin Xinze and Jilin Yuke are engaged.

The Sole Sponsor and our PRC Legal Advisor conducted interviews with the head of the Jilin Provincial Cultural Market Inspection Division (吉林省文化市場稽查總隊), a unit directly subordinated to Jilin Province Department of Culture and Tourism (吉林省文化和旅遊廳), the chief of staff of the Digital Publishing Office (數字出版處) of Jilin Provincial Administration of Press, Publication, Radio, Film and Television (吉林省新聞出版廣電局) and the director of the Cyber Security Management Division (網絡安全管理處) of Jilin Communications Administration (吉林省通信管理局). Each of the above government authorities has verbally confirmed that as of February 14, 2019, it had not found any of our business activities (including our Mahjong and poker game variations and our private game room function) to have constituted gambling or acts of providing convenience for gambling. Our PRC Legal Advisor is of the view that each of Jilin Province Department of Culture and Tourism (吉林省文化和旅遊廳), Jilin Provincial Administration of Press, Publication, Radio, Film and Television (吉林省新聞出版廣電局) and Jilin Communications Administration (吉林省通信管理局) is a competent government authority for the supervision of our online game operation business; and the interviewees consulted in the interviews have competent authority and are authorized persons to make the aforementioned verbal confirmation on behalf of the relevant government authorities.

Having considered the above written confirmations from Jilin Provincial Cultural Market Inspection Division (吉林省文化市場稽查總隊), and verbal confirmation from Jilin Province Department of Culture and Tourism (吉林省文化和旅遊廳), Jilin Provincial Administration of Press, Publication, Radio, Film and Television (吉林省新聞出版廣電局) and Jilin Communications Administration (吉林省通信管理局), our PRC Legal Advisor is of the view that our business activities (including our Mahjong and poker game variations and our private game room function) do not constitute gambling activities under the PRC laws and regulations.

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THIRD-PARTY MOBILE GAME DISTRIBUTION

We have commenced the distribution of popular third-party mobile games since August 2018. As of the Latest Practicable Date, we distributed seven third-party mobile games on our platforms, all of which are casual games. According to the cooperative agreements between us and the relevant game developers, the game developers authorized us to distribute this mobile game on our own game platforms and both parties shall jointly maintain the operations of such game. The game developers are responsible for the technical support for the game operation, including but not limited to the security and stability of its backend game servers. The game developers are also responsible for customer services, including addressing any enquiries and complaints from players. The pricing of the virtual items in these mobile games is determined by the relevant game developers. We are, on the other hand, responsible for the design and execution of various promotional activities on our platforms for these mobile games. We share the sales proceeds received for these games with game developers in a pre-agreed proportion, typically 75% to 80% to us and 20% to 25% to the relevant third-party game developer, after deducting certain applicable expenses, such as tax expenses and third-party payment service fees. We settle the sales proceeds with the game developers on a monthly basis upon mutual confirmation of the total amount of proceeds received. The cooperation agreement has an initial term of one to two years and may be renewed automatically for one year.

As we do not develop these third-party mobile games, we incur minimal capital outlay in pursuing this game distribution business. Going forward, by leveraging our large player base, we intend to continue this game distribution business by carefully selecting games with strong popularity and traffic driving potential. We believe it will contribute stable revenue and attract additional game players to our platforms.

In the year ended December 31, 2018, revenue derived from the game distribution business amounted to RMB27.1 million, accounting for approximately 6.2% of our revenue for such period.

OUR PLAYERS AND CUSTOMER SERVICE

Our Players

Our ultimate customers are individual game players. We have attracted a large and diverse player base through our integrated game platforms which offer a rich portfolio of mostly classic card and board games. With our strong offline promotion capability, our proprietary distribution channel has helped us effectively acquire players at relatively low costs. The number of paying players increased by 2,347,404 from 878,834 for the year ended December 31, 2016 to 3,226,238 for the year ended December 31, 2018. Based on our selling and marketing expenses of RMB8.8 million, RMB38.9 million and RMB46.6 million for the three years ended December 31, 2016, 2017 and 2018, we have incurred a total amount of RMB94.3 million of selling and marketing expenses during which period we have added 2,347,404 paying players, representing an acquisition cost of approximately RMB40.2 per paying player.

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Our cumulative registered players increased from approximately 16,281,000 as of December 31, 2016 to approximately 97,096,000 as of December 31, 2018. The number of our DAUs increased from approximately 1,709,300 as of December 31, 2016 and to approximately 5,205,000 as of December 31, 2018. Our paying players increased from 878,800 for the year ended December 31, 2016 to 3,226,200 for the year ended December 31, 2018.

Due to our large customer base, our five highest paying players in aggregate contributed to substantially less than 5% of the total sales proceeds received during the Track Record Period.

Customer Service

Our customer service team consisted of 48 employees as of the Latest Practicable Date. Players may make inquiries, lodge complaints or submit feedback via our in-game customer service system, our website, or our customer service hotline.

Upon receipt of an inquiry or complaint, our customer service team will investigate the matter with an aim to provide a preliminary response within one hour. If a matter cannot be adequately resolved by our customer service team, it will be submitted to our operational, technical or other relevant teams. In some instances, customer complaints may be escalated to our senior management. As of the Latest Practicable Date, we had not received any material complaints from our players that resulted in any material adverse impact on our business.

Feedback from our players is crucial for our product development and improvement. We believe that our outstanding customer service plays a significant role in retaining players and encouraging them to become paying players.

SALES AND MARKETING

We implement various measures to market and promote our games. We carefully design promotional methods that best suit each location. To accommodate the large number of our county-level localized games, we primarily promote our games through traditional offline channels, such as door-to-door promotions by visiting residential and commercial communities, office buildings and reaching out to our target audience to conduct one-on-one promotion of our games, distribution of QR codes through direct mail pieces and leaflets, set-up of temporary street stalls, and outdoor billboard advertisements, either through our in-house marketing teams or through outsourced third parties. We believe these are efficient and more cost-effective in promoting localized games to reach target audience than advertising on online channels as we are able to engage directly with our target audience and have a better understanding of their preferences, experience first-hand their reaction to our games and address any questions on the spot. Over 80% of our sales were derived through our proprietary channels during the Track Record Period and our focus on offline promotion brings us remarkable self-generated user traffic and improves our profit margin.

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To complement our offline promotions, we from time to time release in-app advertisements for our own games through our game apps. We also placed online advertisement with selected high-traffic social media platforms, such as Toutiao (今日頭條) and app stores to promote our games. Moreover, we sponsored real-life live card and board game tournaments through cooperation with local TV programs to further raise our brand awareness among card and board game players. Our selling and marketing expenses represented approximately 16.9%, 14.9% and 10.6% of our total revenue for the years ended December 31, 2016, 2017 and 2018, respectively.

OUR SUPPLIERS

Our major suppliers include our third-party game distribution channels, payment vendors, cloud service providers, internet data center providers and online and offline advertising partners.

For the years ended December 31, 2016, 2017 and 2018, purchase amounts from our top five suppliers were RMB3.5 million, RMB18.8 million and RMB32.2 million, respectively, representing approximately 37.6%, 36.5% and 31.2% of our cost of sales in the same periods, respectively. Purchase amounts for single largest supplier were RMB1.3 million, RMB7.2 million and RMB9.3 million, respectively, representing approximately 14.2%, 13.9% and 9.0% of our cost of sales for the years ended December 31, 2016, 2017 and 2018, respectively.

The following tables set forth certain information of the major suppliers of our Group during the Track Record Period:

For the year ended December 31, 2016

<u>Supplier</u>	<u>Transaction amount</u> (RMB'000)	<u>% of total cost of sales</u>	<u>Approximate length of relationship</u> (Years)	<u>Principal business activities</u>
Supplier A	1,321	14.2	2	Provides software development services
Supplier B	646	6.9	3	Online payment platform of a conglomerate which provides internet value added services
Supplier C	615	6.6	2	Distribution channel which provides platform for game distribution
Supplier D	603	6.5	3	Cloud services provider under a conglomerate which engages in the businesses of e-commerce, cloud computing and digital media

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Supplier	Transaction amount (RMB'000)	% of total cost of sales	Approximate length of relationship (Years)	Principal business activities
Supplier E	315	3.4	6	Provides IT services including content delivery network (CDN), data center management, internet exchange center operations and cloud hosting services
Total	<u>3,500</u>	<u>37.6</u>		

For the year ended December 31, 2017

Supplier	Transaction amount (RMB'000)	% of total cost of sales	Approximate length of relationship (Years)	Principal business activities
Supplier F	7,206	13.9	1	Provides internet security products
Supplier D	4,280	8.3	3	Cloud services provider under a conglomerate which engages in the businesses of e-commerce, cloud computing and digital media
Supplier B	3,285	6.4	3	Online payment platform of a conglomerate which provides internet value added services
Supplier G	2,249	4.4	1	Conglomerate which provides internet value added services
Supplier C	1,830	3.5	2	Distribution channel which provides platform for game distribution
Total	<u>18,850</u>	<u>36.5</u>		

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For the year ended December 31, 2018

Supplier	Transaction amount (RMB'000)	% of total cost of sales	Approximate length of relationship (Years)	Principal business activities
Supplier G	9,263	9.0	1	Conglomerate which provides internet value added services
Supplier H	8,421	8.2	1	Provider of information and communications technology infrastructure and smart devices
Supplier D	5,103	4.9	3	Cloud services provider under a conglomerate which engages in the businesses of e-commerce, cloud computing and digital media
Supplier C	4,991	4.8	2	Distribution channel which provides platform for game distribution
Supplier I	4,457	4.3	1	Online and mobile game developer and game distribution platform operator
Total	<u>32,235</u>	<u>31.2</u>		

None of our Directors or their respective associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the Company's top five suppliers.

COMPETITION

Mahjong and Fight the Landlord, two of our most popular games, have a long history in the real world and extensive popularity in China. The market in China for mobile versions of such games, as well as other board and card games, is highly competitive and fragmented, due to massive growth potential and relatively low entry barriers.

We compete principally with developers and operators focusing on localized board and card games, in particular Mahjong, Fight the Landlord and other poker games. Due to our numerous localized game variations, we also compete with local small mobile game developers and operators in each regional location. Many of our distribution channels also distribute games developed and operated by our competitors. Further, other game companies that do not currently operate games

BUSINESS

offered by us may enter the market in the future and become our direct competitors. Some of our existing and potential competitors have a larger portfolio of games, greater financial and technological resources and stronger relationships with industry participants, such as distributors, than we do.

We compete primarily on the basis of our unified platform strategy, strong portfolio of engaging games, strong research and development capability to localize products, in-depth local culture insights, established leading positions in our key provincial markets, and effective localized and offline marketing strategies and channels. Please refer to the “Industry Overview” section of this prospectus for further details about the industry landscape.

INTELLECTUAL PROPERTY

We regard our proprietary trade names, trademarks, software, copyrights, domain names, trade secrets and other intellectual property as critical to our operations and success.

As of the Latest Practicable Date, we had:

- 82 registered trademarks and 40 pending trademark applications in the PRC and one registered trademark in Hong Kong;
- 369 registered software copyrights and 54 registered work copyrights in the PRC;
- one registered patent right in the PRC; and
- 20 registered domain names in the PRC.

Our registered intellectual property includes, among others, our trade names “Weile Jiexiang Games” (“微樂家鄉遊戲”), “Jixiang Games” (“吉祥遊戲”) and our domain name jiexianghudong.com. Further details of our material intellectual property rights are set forth in “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of the Group”.

We have taken steps to protect our intellectual property, including adopting internal policies regarding access to and use of information and entering into confidentiality agreements with our key employees.

Our PRC Legal Advisor has confirmed that as of the Latest Practicable Date, we had not been subject to any material dispute or claim for infringement of third parties’ intellectual property rights in the PRC.

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EMPLOYEES

We had 76, 338 and 407 full-time employees as of December 31, 2016, 2017 and 2018, respectively. All of our employees are based in the PRC.

The following table sets forth the number of our employees by function as of December 31, 2016, 2017 and 2018, respectively:

Function	As of December 31,					
	2016		2017		2018	
	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total
Research and development	15	19.8	45	13.3	67	16.5
Game development	28	36.8	107	31.7	139	34.2
Technical support	—	—	34	10.1	60	14.7
Customer service	7	9.2	48	14.2	51	12.5
Marketing	9	11.8	67	19.8	37	9.1
Operations and general administration . .	17	22.4	37	10.9	53	13.0
Total	76	100.0	338	100.0	407	100.0

Our success depends on our ability to attract, retain and motivate talented personnel. We believe we offer our employees competitive compensation packages, comprehensive training, attractive prospects and a friendly working environment, which has allowed us to maintain a stable management team and develop a growing employee force. We recruit personnel based on various factors, including educational background or training, work experience, their motivations and personalities, and our vacancies and business needs. Our employees have an average age of under 30. A majority of our employees hold bachelor's or higher degrees.

We provide orientation and training to new recruits as well as ongoing in-house training for junior employees, which we believe can enhance the skills and productivity of our employees.

We compensate our employees with base salaries and performance-based bonuses. As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical and unemployment insurance. We are required to make contributions to employee benefit plans at specified percentages of salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local governments from time to time.

We have entered into standard employment contracts with all of our employees. In addition, we have also entered into confidentiality agreements with all our employees, which agreements typically include confidentiality obligations and non-compete undertakings effective during and after their employment with us.

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Our employees do not negotiate their terms of employment through any labor union or collective bargaining agreements.

Our Directors and our PRC Legal Advisor confirm that, save as disclosed in the section headed “Business — Legal Proceedings and Compliance — Non-compliance Incidents”, we have complied with applicable employment laws and regulations in all material respects and there have been no outstanding material labor-related legal proceedings against us as of the Latest Practicable Date.

PROPERTIES

As of the Latest Practicable Date, we, through Jilin Xinze, owned a property in Nangan District, Changchun, Jilin Province with a total area of 544.1 square meters. We use such premise for non-property activities as defined under Rule 5.01(2) of the Listing Rules and it is principally used as office premise for our business operations. The land use right shall expire on April 24, 2044. We have obtained the real property ownership certificate and the property ownership certificate for such property. As confirmed by our PRC Legal Advisor, we legally own such property.

As of the Latest Practicable Date, we leased an aggregate gross floor area of 2,339.27 square meters in Beijing, Xiamen and Changchun. We use the premises for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they are principally used as office premises for our business operations. The lease agreements have terms ranging from one to five years and expiration dates ranging from July 2019 to September 2023. All of the landlords are independent third parties. As of the Latest Practicable Date, the five lease agreements with respect to the above leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate amount of maximum fine will therefore be RMB50,000, which our Directors believe will not have any material adverse impact on our business operations.

In addition, we have been granted the right to use certain property’s address for free in Changchun as the registered address for Jilin Xinze for a period of five years based on the relevant agreement. The owner of such property is an independent third party.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect of all interests in land or buildings, as each of our property interests had a carrying amount below 15% of our consolidated total assets as of December 31, 2018.

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INSURANCE

We do not maintain any business interruption or liability insurance, which, based on information available to us, we believe is consistent with customary industry practice of mobile game companies in the PRC. See the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — Our lack of insurance could expose us to significant costs and business disruption.”. We will consider taking out such insurance in the future if mandated by applicable laws or if industry practice evolves.

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented risk management and internal control policies and procedures at the corporate level and in various aspects of our business operations such as financial reporting, information risk management, legal compliance, and human resources management.

Financial Reporting Management

We have adopted comprehensive policies and procedures in connection with our financial reporting and disclosure controls. We provide ongoing training to employees in our finance department to ensure that such policies are observed and implemented.

As of December 31, 2018, our finance team consisted of 12 employees, headed by our chief financial officer, who has extensive experience in public company financial reporting. Other senior members of our finance department are all experienced in finance and accounting.

Information Management

We have adopted measures to protect user data collected by us and to prevent technical issues in our network infrastructure and information technology system. These measures include the establishment of a standard operation and maintenance process. Our information security team is responsible for protecting our user data and ensuring the stability and security of our network infrastructure and information technology system.

Legal Compliance Management

We have a legal team that is responsible for monitoring any changes in PRC laws and regulations, in particular those governing the game industry, and ensuring the ongoing compliance of our operations with applicable laws and regulations. Our legal team also applies for and maintains all licenses, permits and approvals required for our operations as we launch new games, as well as to taking actions to protect our intellectual property rights and prevent potential infringement of third parties’ intellectual property rights. Furthermore, an internal legal and compliance manual has been established in order to provide clear guidelines to relevant management and staff and to ensure consistent practice is adopted.

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Human Resource Management

We have internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. We adopt strict procedures in recruitment to ensure the quality of new hiring. We provide specific training tailored to the needs of our employees in various departments. Our employee handbook contains guidelines on work ethics and prevention of fraud and corruption. Furthermore, the human resources policy stipulates that the human resources function is responsible for monitoring the requirements of the latest labour laws and regulations and ensuring that they are reflected in current practice.

Corporate Governance Measures

We have established an audit committee to assist our Board by providing an independent view of the effectiveness of the risk management and internal control systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Our audit committee and senior management will monitor the implementation of our risk management and internal control policies across the Group on an ongoing basis to ensure that our risk management and internal control systems are appropriate and effective.

Measures to Restrict Playing Time

According to Anti-addiction Notice, all PRC online game operators are required to implement an anti-addiction compliance system to curb addiction to online games by minors. Pursuant to the Notice on Deeply Carrying out the Real-name Authentication for Online Game Addiction Prevention (《關於深入開展網絡遊戲防沉迷實名驗證工作的通知》) effected on October 1, 2014, the anti-addiction compliance system applies to all online games but excluding mobile games. Although we are not required to implement an anti-addiction compliance system as all the online games we operate within the PRC are mobile games, we have taken measures to restrict the playing time of our players. In particular, once players have continuously played our game for more than three hours, a window will pop up to notify them and their winning gains will be deducted by 50% if they continue to play. We have also set a limit on the maximum playing time for each account. Once the playing time for an account has reached 10 hours in a day, the account will be suspended for the rest of the day.

Measures to obtain Real-name Information from our Players

To comply with the laws and regulations in relation to real-name registration, we require our players to complete our real-name registration procedures by providing their names and identification numbers before purchasing our virtual products to play our games. We also offer access to our games on social media platform such as WeChat which has real-name registration procedures. We will keep abreast of any changes in regulatory requirements and implement new measures as required by new regulations in the future.

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Remedial Measures

In addition, we have adopted certain specific measures to help prevent the recurrence of the historical non-compliance incidents. See “— Legal Proceedings and Compliance — Internal Control” below.

LICENSES, PERMITS AND APPROVALS

According to our PRC Legal Advisor, we have obtained all requisite licenses, permits and approvals from the relevant government authorities that are material for our operations in China, such licenses, permits and approvals were valid and remained in effect as of the Latest Practicable Date, and there exists no circumstances that may cause any of such licenses, permits and approvals to be revoked or cancelled. Our PRC Legal Advisor has further advised us that, as of the Latest Practicable Date, there existed no material legal impediment to the renewal of such licenses, permits and approvals.

The following table sets forth details of our material licenses, permits and approvals:

<u>License/Permit/Approval</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Effective Date</u>	<u>Expiry Date</u>
ICP License	Jiaxiang Interactive	Fujian Communications Administration	January 31, 2018	August 22, 2021
Internet Cultural Business License	Jiaxiang Interactive	Fujian Provincial Department of Culture	June 22, 2016	June 21, 2019
ICP License	Jilin Xinze	Jilin Communications Administration	May 31, 2018	August 26, 2020
Internet Cultural Business License	Jilin Xinze	Jilin Province Department of Culture	May 10, 2019	May 9, 2022
ICP License	Jilin Yuke	Jilin Communications Administration	March 29, 2017	March 29, 2022
Internet Cultural Business License	Jilin Yuke	Jilin Province Department of Culture	March 24, 2017	March 23, 2020

In accordance with Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》), Jiaxiang Interactive has initiated the renewal process of its Internet Cultural Business License. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, there is no legal impediment for Jiaxiang Interactive to renew its Internet Cultural Business License as such renewal is merely an administrative procedural process where Jiaxiang Interactive only needs to submit necessary documents to comply with administrative procedural requirements.

BUSINESS

As advised by our PRC Legal Advisor, we are not required to obtain the Online Publishing Service License for our self-developed games as we have engaged third-party publishing services providers with the Online Publishing Service License to publish those games. Our PRC Legal Advisor conducted interviews with Fujian Provincial Administration of Press, Publication, Radio, Film and Television and (福建省新聞出版廣電局) and Jilin Provincial Administration of Press, Publication, Radio, Film and Television (吉林省新聞出版廣電局) and the government authorities confirmed the business arrangement that we, without holding the Online Publishing Service License, engage third-party publishing services providers with the Online Publishing Service License acting as the official publisher to publish our online games does not violate applicable PRC laws and regulations.

As advised by our PRC Legal Advisor, we are not required to obtain any additional license to broadcast and distribute third-party mobile games under the Online Publishing Measures or other applicable laws. We are not required to hold the Online Publishing Service License as the game developers of the relevant third-party online games have engaged third-party publishing services providers with the Online Publishing Service License to publish their games. Our PRC Legal Advisor conducted interviews with Fujian Provincial Administration of Press, Publication, Radio, Film and Television and (福建省新聞出版廣電局) and Jilin Provincial Administration of Press, Publication, Radio, Film and Television (吉林省新聞出版廣電局) and the government authorities confirmed the business arrangement that we, without holding the Online Publishing Service License, broadcast and distribute to the public such online games with third-party publishing services providers holding the relevant license acting as the official publisher do not violate applicable PRC laws and regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and as of the Latest Practicable Date, no member of our Group was engaged in any material litigation, arbitration or administrative proceedings and our Directors were not aware of any material litigation, arbitration or administrative proceedings pending or threatened against any member of our Group.

The Anti-gambling Notice provides that online game operators shall not provide any service for trading of game credits or exchange for cash, property or any product or services of other enterprises with game credits or virtual currency. The incentives (real world small gifts, such as WeChat red packets, mobile phone recharge cards and other small electronic devices) provided by our Group can be redeemed by using gift certificates, which may only be obtained after accumulating a certain number of virtual vouchers upon completion of in-game missions by the players, such as consecutive log-ins for a certain period of time. Such gift certificates and the gifts redeemed are not, and cannot be exchanged from, game points recorded in private game rooms or virtual tokens. Based on the above and the information provided by our Company, our PRC Legal Advisor is of the view that we have not violated the Anti-gambling Notice and the Virtual Currency Notice in relation to the provisions on utilizing online games for gambling, and our mobile games do not constitute gambling activities prohibited under the Anti-gambling Notice and the Virtual Currency Notice, and that we have not offered or promoted our mobile games as a tool for gambling.

BUSINESS

Non-compliance Incidents

Our Directors are not aware of any material non-compliance incidents of our Group during the Track Record Period. However, we had the following immaterial incidents of non-compliance during the Track Record Period:

Non-compliance Incident	Reasons	Legal Consequences	Remedial Actions	Potential Impact
<i>I. Failure to obtain to complete the filing process with the MOC and failure to obtain the approvals from the SAPPRFT</i>				
<p>Three out of 30 of our mobile game products under our “Kele Games” brand name as of the Latest Practicable Date, for which we have currently ceased operation, have not obtained pre-approval from the SAPPRFT as required under the Internet Publishing Measures.</p> <p>We also failed to submit the filing materials of 27 game products out of our 508 mobile game products as of the Latest Practicable Date which we currently operate within the time limit as required under the Online Game Measures.</p>	<p>As a private company, we lacked sufficient knowledge on, and did not engage outside counsel to provide professional advices on all the aspects of our business operations, particularly the requirements under the relevant rules and regulations in the PRC at the start-up stage of our operations. Accordingly, we inadvertently oversights that the requested pre-approval from the SAPPRFT as required under the Internet Publishing Measures had not been obtained for three of our previous mobile game products and that filing materials for 27 game products which we currently operate had not been filed within the time limit as required under the Online Games Measures.</p>	<p>Under the Internet Publishing Measures, failure to obtain SAPPRFT’s pre-approval before publication of our game product may cause discontinuance of our operation of the relevant game product and subject us to a confiscation of all illegal income and major equipment and specialized tools used in illegal publishing activities and a fine ranging from 5 times to 10 times of such illegal income, if the illegal income is more than RMB10,000, or up to RMB50,000, if the illegal income is not more than RMB10,000.</p>	<p>In respect of the three previous mobile game products which failed to obtain pre-approval from the SAPPRFT, we have discontinued such game product and ceased their operations shortly after we become aware of the non-compliance. The total sales proceeds of the virtual tokens derived from these three game products during the Track Record Period and before the discontinuance of such game product was approximately nil, RMB25,700 and RMB195,300 for the three years ended December 31, 2016, 2017 and 2018, totalling approximately RMB220,000. As (i) pricing of the virtual tokens is affected by the availability of free virtual token and/or discounts offered by our Group and the same virtual tokens (irrespective of their price) can be used in different game products; and (ii) the value of the virtual tokens may also depend on the games rules designed which determine the amount and speed of the consumption of such virtual tokens in each game session, it is not possible to determine the revenue contributed by each of these three mobile game products.</p>	<p>Under the Internet Publishing Measures, our commencement of operating online game products before obtaining the pre-approval may cause the operation of the relevant game product to be discontinued. The contribution of the relevant game product to our Group in terms of sales proceeds of virtual tokens is insignificant and the operation of such game products had been discontinued. Accordingly, as advised by our PRC Legal Advisor, the risk of being penalized by relevant government authority for the failure to obtain pre-approval prior to the operation of the three currently discontinued game products is low.</p> <p>Nevertheless, if we were fined at the highest rate of 10 times of the income generated from these three game products, the maximum penalty will be RMB2,200,000 and the income of RMB220,000 may be confiscated.</p>

BUSINESS

Non-compliance Incident	Reasons	Legal Consequences	Remedial Actions	Potential Impact
			<p>In respect of the 27 mobile game products which we failed to file relevant materials within the time limit as required under the Online Game Measures, we have filed all relevant materials with MOC with respect to such game products during the period from October 30, 2015 to June 14, 2018 and, as advised by our PRC Legal Advisor, we have therefore performed all of our filing procedures under the Online Game Measures. As the filing of domestic online games by MOC has been suspended since early 2018, MOC has not completed the post-filing process of the 27 game products so far.</p>	<p>All of the unfiled 27 game products have already obtained pre-approvals from the SAPPRFT. Therefore, further review or approval for these 27 game products is not required and as advised by our PRC Legal Advisor, the outstanding process for completing the post-filing process with the MOC is merely an administrative procedure. As such, the temporary suspension of pre-approval of new online games has no impact on these 27 game products.</p>

BUSINESS

Non-compliance Incident

Reasons	Legal Consequences	Remedial Actions	Potential Impact
<p>In addition, notwithstanding our remedial actions taken, MOC has been undergoing a restructuring, which caused a temporary suspension of filing procedures for domestic online games in China since April 2018.</p>	<p>Under the Online Game Measures implemented by the MOC, failure to complete post-filing process after publishing the domestic mobile game products within the time limit may subject us to a maximum fine of RMB20,000 per incident of us being fined. The relevant regulation did not stipulate a confiscation of the revenue generated by the relevant enterprise from such business which failed to complete the filing of materials within the specified time limit.</p>	<p>We have submitted the required materials for the filing for all mobile game products we offer in the PRC, and will submit filing materials for all new game products we will offer in the PRC in the future and within the required time limit.</p> <p>In addition, we have obtained letters of confirmation from competent authorities, being the local counterparts of the Administration of Press, Publication, Radio Film and Television of both Fujian province and Jilin province, and the Comprehensive Enforcement Brigade of Cultural Market of Siming District, Xiamen and the Culture Department of Jilin Province confirming that we had not been penalized for violating the laws and regulations in relation to online publishing and Internet cultural operation.</p> <p>As advised by our PRC Legal Advisor, the aforementioned government authorities have the authority and are competent to make the aforesaid confirmations.</p> <p>Based on the foregoing, our PRC Legal Advisor is of the view that the risk of the competent authorities of Internet cultural operation or online publishing to impose material penalties on us is relatively low and this will not have a material adverse effect on our business operations.</p> <p>For details of internal control measures adopted by us, see “— Legal Proceedings and Compliance — Internal Control”.</p>	<p>In addition, given that (i) we have filed all relevant materials with MOC with respect to the 27 mobile game products; (ii) the relevant regulation did not stipulate a confiscation of the revenue generated from such business; and (iii) based on a maximum fine of RMB20,000 per incident of us being fined under the Online Games Measures, our maximum exposure would be RMB540,000 if we were fined in 27 separate incidents, one for each of the 27 mobile game products and each one being penalized at the maximum amount of fine, our Directors are of the view that this non-compliance will not have a material adverse impact on our business operations and financial condition.</p> <p>Further, given the written confirmations obtained from the competent authorities and the advice from our PRC Legal Advisor, on the basis that our Group will strive to comply with all applicable PRC laws and regulations in relation to online publishing, our Directors are of the view that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole.</p>

BUSINESS

Non-compliance

Incident	Reasons	Legal Consequences	Remedial Actions	Potential Impact
<p>2. Failure to make social insurance and housing provident fund contributions in full</p>				
<p>During the Track Record Period, we had not fully complied with the applicable PRC laws and regulations in relation to payment of social insurance and housing provident fund contributions for all of our employees.</p> <p>We estimate that the amount of under contributions during the three years ended December 31, 2016, 2017 and 2018 were approximately RMB550,000, RMB3,858,000 and RMB6,364,000, respectively, for social insurance contributions and housing provident fund contributions.</p>	<p>Our non-compliance was caused by the inadvertent and unintentional oversight of PRC laws and regulations by our human resources department.</p>	<p>If an employer fails to pay its social insurance contributions in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法), the relevant authority may demand it to pay all outstanding social insurance contributions within a prescribed time limit. The employer may also be subject to a late payment interest at a daily rate of 0.05% on the outstanding amount, accruing from when the social insurance contribution was due. If the employer fails to make such payment within the prescribed time limit, the relevant authority may impose a further fine of one to three times the outstanding amount.</p> <p>If an employer fails to pay its housing provident fund contributions in accordance with the Regulations Concerning the Administration of Housing Provident Fund (住屋公積金管理條例), the relevant authority has the power to order the employer to pay all outstanding housing provident fund contributions within a prescribed time limit. If the employer fails to make such payment within the prescribed time limit, an application of compulsory enforcement can be made to the People's Court of the PRC.</p>	<p>We have obtained letters of confirmation from competent authorities, being the Administration of Taxation of Siming District, Xiamen, the Administrative Centre of Housing Provident Fund of Xiamen, the Administration of Social Insurance of Changchun, Nanguan Branch, the Administration of Social Medical Insurance of Changchun, the Department of Collection of the Administration of Social Insurance of Changchun, Changchun Housing Provident Fund Management Centre and Changchun Provincial Housing Provident Fund Management Sub-Centre, confirming that we had not been penalized for violating relevant laws and regulations, including the Social Insurance Law of the PRC and the Regulations Concerning the Administration of Housing Provident Fund. As advised by our PRC Legal Advisor, the aforementioned government authorities have the authority and are competent to make the aforesaid confirmations.</p> <p>Based on the foregoing, our PRC Legal Advisor is of the view that the risk of the competent social insurance and housing provident fund authorities demanding us to pay outstanding contributions or imposing penalties on us is relatively low.</p> <p>For details of internal control measures adopted by us, see “— Legal Proceedings and Compliance — Internal Control”.</p>	<p>Provisions in the amount of RMB550,000, RMB3,858,000 and RMB6,364,000 were made for the unpaid amount of social insurance contributions and housing provident fund contributions for the three years ended December 31, 2016, 2017 and 2018, respectively.</p> <p>Given the written confirmations obtained from the employees and the competent authorities and the advice from our PRC Legal Advisor, on the basis that our Group will strive to comply with all applicable PRC laws and regulations in relation to social insurance and housing provident fund, our Directors are of the view that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole.</p>

BUSINESS

Views of the Sole Sponsor

The Sole Sponsor is of the view that the non-compliance incidents mentioned above do not affect the suitability of the Directors under Rules 3.08 and 3.09 of the Listing Rules, having taken into consideration that:

- (a) the nature, reasons, and consequences of the non-compliance incidents after discussions with the Directors and the PRC Legal Advisor of the Company;
- (b) the non-compliance incidents did not have a material adverse impact on our Group's daily operations and financial conditions;
- (c) the Group has implemented (or will implement where applicable) measures to enhance corporate governance and internal control measures to rectify and/or prevent the re-occurrence of the historical non-compliance incidents;
- (d) as confirmed by the Directors, none of the non-compliance incidents were committed intentionally or wilfully;
- (e) the Directors have attended the training regarding applicable PRC laws and regulations in relation to the online card and board game industry conducted by our PRC Legal Advisor before Listing and the Directors would engage external legal counsel to advise the Company on particular issues as necessary from time to time; and
- (f) all the Directors have substantial and extensive experience in business management of mobile card and board game development and operation.

Internal Control

We have engaged an independent internal control consultant to perform review on our internal control system in connection with the Listing. The internal control consultant has conducted review procedures on our internal control system in certain aspects, including but not limited to sales, procurement, human resources, financial management and information technology from April to August 2018. During the course of the internal control review, the internal control consultant identified a number of findings with recommendations including establishment of (i) mechanism for declaration of interest, corporate governance, management remuneration, risk management, written leadership or management succession plan and anti-money laundering at the corporate level; (ii) mechanism and policies for monitoring the payment obligation of social insurance funds; (iii) mechanism and policies for reconciliation of players' payment records with third-party distribution channels and payment vendors; and (iv) mechanism and policies for reconciliation of bank balance and difference between budgeted and actual cash flow amounts. We had taken remedial action to address the internal control deficiencies identified during the internal control review. Follow up internal control review was performed in September 2018 and the internal control consultant noted no material issue in relation to the adequacy and effectiveness of our Company's internal control system after the follow up review.

BUSINESS

We have adopted the following key enhanced internal control measures and specific internal control measures to help prevent the recurrence of the historical non-compliance incidents:

- (I) The key enhanced internal control measures adopted are as follows:
- 1) Policies and procedures for handling certain corporate level areas or Listing Rules requirements, financial reporting and operational processes (including the assignment of dedicated staff to handle those processes) had been established to assist our Company in complying with relevant Listing Rules requirements and govern the daily operations of our Group. Such policies and procedures had been reviewed and approved by authorized management.
 - 2) Additional control measures such as policies and control on independent review and checking and segregation of duties on financial reporting and operational processes had been in place.
 - 3) Maintenance of review and approval documentation had been formally required.
 - 4) IT system security measures such as user account management, access right controls, password settings, anti-virus protection, system change management and IT outsourcing management had been strengthened by our Company to minimize the risk and to be fully prepared for potential cyber attacks.
- (II) Specific internal control measures to help prevent recurrence of the historical non-compliance incidents:

Failure to obtain to complete the filing process with the MOC and failure to obtain the approvals from the SAPPRFT

We shall review and submit required materials within the time limit before launching our mobile game products. We have enhanced our compliance measures for mobile game products such that such non-compliance incident will not occur in the future. We have established policies and procedures on game publication to govern the process and make sure the relevant laws and regulations are complied with. The policy stipulates that all game products will be approved by our Chief Executive Officer and Mr. Guo shall be responsible for monitoring the obtaining of pre-approval and post-filing of games with the respective government authorities (where necessary) to ensure that such pre-approval and post-filing of games shall be completed as required by the relevant laws and regulations. In addition, Ms. Yang Lu, our Chief Communications Officer, will review on a regular basis any license that is required for our business operations. Our new compliance policy requires the retaining of and the discussion with PRC legal counsel on regulatory and legal compliance issues for each new area of business that we will enter into.

BUSINESS

Failure to make social insurance and housing provident fund contributions in full

If and upon request by the competent social insurance and housing provident fund authorities, we shall pay the outstanding amounts of social insurance and housing provident fund contributions and any fines imposed on us.

Since September 2018, our employee handbook, human resources policy and all of our new employment contracts have clearly set out that employer and employees are required to participate in social insurance plans and make contributions to social insurance and housing provident fund pursuant to PRC laws and regulations. We have established a Legal and Compliance Policy to govern compliance with relevant regulatory requirements. Mr. Gao Junfeng, our Chief Financial Officer and Joint Company Secretary, shall be responsible for overseeing the regulatory compliance requirements of our Company. The Legal and Compliance Policy shall be reviewed by the Board at least once annually.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of Mr. Wu, Mr. Jiang and Mr. Su (each a “**Founder**”, and collectively, the “**Founders**” or the “**Founders Group**”) is an original founder of our Company and our Group. As of the date of this prospectus, Wu Chengze Network Limited (a company wholly owned by Mr. Wu), Jiang Ming Kuan Network Limited (a company wholly owned by Mr. Jiang) and Su Bo Network Limited (a company wholly-owned by Mr. Su) owned as to 46.06%, 15.35% and 15.35% of the issued share capital of our Company, which is in turn entitled to exercise voting rights of approximately 76.76% of the total issued share capital of the Company. In addition, the Founders are collectively interested in 92% equity interest in Jiaxiang Interactive, and we, through our wholly-owned subsidiary, Homeland PRC, have entered into certain agreements underlying the Contractual Arrangements with Jiaxiang Interactive, the Founders and each of the other registered shareholders of Jiaxiang Interactive. For further details of such agreements, please refer to the section headed “Contractual Arrangements” in this prospectus.

Since the establishment of our Group in November 2009, the Founders have cooperated as parties acting in concert to exercise control over our Group and to develop the business of our Group. They have made key decisions regarding our strategies and plans, including the establishment of Jiaxiang Interactive and Jilin Yuke, collectively. Furthermore, the Founders have been the core team mainly responsible for the management of our Group and generating our financial results and together as a group of controlling shareholders have been able to exert substantial influence on the other directors and management of our Group. The Founders have exercised control over our Group through cooperation with each other. Accordingly, the Founders are presumed to be parties acting in concert under the Takeovers Code and the Founders (through their respective wholly-owned holding companies, Wu Chengze Network Limited, Jiang Ming Kuan Network Limited and Su Bo Network Limited) are the Controlling Shareholders of our Company as of the date of this prospectus.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme), Wu Chengze Network Limited, Jiang Ming Kuan Network Limited and Su Bo Network Limited will collectively be entitled to exercise voting rights of approximately 57.57% of the total issued share capital of our Company. Accordingly, the Founders (through their respective wholly-owned holding companies, Wu Chengze Network Limited, Jiang Ming Kuan Network Limited and Su Bo Network Limited) will continue to remain as Controlling Shareholders of our Company.

COMPETING INTERESTS

Each of our Controlling Shareholders and Directors of our Company confirms that he, she or it or his/its respective close associates does 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, which would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the Global Offering.

Management Independence

The Board comprises of five executive Directors (namely Mr. Wu, Mr. Jiang, Mr. Su, Mr. Guo and Mr. Men) and three independent non-executive Directors. Our management and operation decisions are made by our executive Directors and senior management, most of whom have served our Group since its incorporation and/or throughout the Track Record Period and have substantial experience in the industry in which we are engaged. Each of the Directors is aware of their fiduciaries duties as a Director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. Accordingly, our Directors are of the view that we are able to operate independently from the Controlling Shareholders notwithstanding that each of Mr. Wu, Mr. Jiang and Mr. Su is a Controlling Shareholder and an executive Director.

Apart from the transactions set out in the sections headed “Contractual Arrangements” and “Continuing Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational independence

Although the Controlling Shareholders will continue to hold a substantial interest in our Company after the Listing, we have full rights to make all decision regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries or pursuant to the Contractual Arrangements) holds or enjoys the benefit of all relevant licenses necessary to carry on our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

In addition, although our Controlling Shareholders will retain a controlling equity interest of our PRC operating entity, Jiexiang Interactive, pursuant to the Contractual Arrangements, our Directors are authorized to exercise all of the rights of shareholders of Jiexiang Interactive and we have the right to enjoy all the economic benefits of Jiexiang Interactive and its subsidiaries and to exercise management control over the operations of Jiexiang Interactive and its subsidiaries. Pursuant to the Exclusive Call Option Agreement, Homeland PRC has been granted irrevocable options to, by itself

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

or through any of its designees, (i) purchase, to the extent permitted by PRC laws and regulations, the equity interests in Jiayang Interactive, entirely or partially, at a minimum purchase price permitted under applicable PRC laws and regulations, or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Jiayang Interactive at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Our Directors consider that through the Contractual Arrangements, our Group has obtained financial and operational control of Jiayang Interactive and its subsidiaries through Homeland PRC and that the Contractual Arrangements are sufficient to ensure that the financial results of Jiayang Interactive and its subsidiaries can be consolidated as subsidiaries of our Company.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payments and we make financial decisions according to our own business needs.

In addition, our Group does not rely on our Controlling Shareholders and/or their close associates by virtue of their provision of financial assistance. During the Track Record Period and up to the Latest Practicable Date, our Group does not have any long-term loan or other type of long-term financing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group our Controlling Shareholders:

- (A) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his/her associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (B) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his associates, the Company will comply with the applicable Listing Rules;
- (C) our Board includes a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors who possess sufficient experience and are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management — Directors — Independent non-executive Directors” in this prospectus;
- (D) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (E) we have appointed China Everbright Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

In addition, our Group will also adopt relevant measures to ensure the sound and effective operation of our Group (including Jiaxiang Interactive and its subsidiaries) and the implementation of the Contractual Arrangements upon Listing. For details, please see the section headed “Contractual Arrangements — Operations in compliance with the Contractual Arrangements”.

CONTINUING CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements with our connected persons and the transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, upon the Listing. Set out below are the details of the continuing connected transactions and the relevant Listing Rules implications.

Contractual Arrangements

As disclosed in the section "Contractual Arrangements" in this prospectus, we, as foreign investors, are prohibited from holding equity interest in Jiaxiang Interactive and its operating subsidiaries, which are primarily engaged in the development and operation of online card and board games business (the "**Principal Business**") and are considered to be engaged in the provision of value-added telecommunications services and Internet cultural businesses. Each of Jiaxiang Interactive and its subsidiaries, namely Jilin Xinze and Jilin Yuke, holds the relevant licenses, including the ICP License and the Internet cultural business license, required for carrying out the above services and operating the Principal Business. As a result, our Group, through our wholly-owned subsidiary, Homeland PRC, has entered into the Contractual Arrangements such that we can conduct our Principal Business indirectly in the PRC through Jiaxiang Interactive and its subsidiaries while complying with applicable PRC law and regulations. The Contractual Arrangements are designed to provide our Group with effective control over the financial and operational policies of Jiaxiang Interactive and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Jiaxiang Interactive after Listing through Homeland PRC. As we operate our Principal Business through Jiaxiang Interactive, which is controlled by its Registered Shareholder, Jilin Yutai, and we do not hold any direct equity interest in Jiaxiang Interactive, the Contractual Arrangements were entered into on September 24, 2018 pursuant to which all economic benefits and risks arising from the business of Jiaxiang Interactive are transferred to our Group.

The Contractual Arrangements currently in effect comprise of three agreements, namely (i) the Exclusive Business Cooperation Agreement, (ii) the Exclusive Call Option Agreement and (iii) the Equity Pledge Agreement, which were entered into between or amongst Homeland PRC, Jiaxiang Interactive and Jilin Yutai (as the case may be), and the irrevocable Power of Attorney executed by Jilin Yutai pursuant to which Jilin Yutai has appointed an authorized director or any direct or indirect shareholder of Homeland PRC or his/her successor who is a PRC citizen as proxy of Jilin Yutai to exercise all of its shareholders' rights in Jiaxiang Interactive. In addition, each of the ultimate legal owners of Jilin Yutai, namely Mr. Wu (who holds 92% equity interests in Jilin Yutai) and Mr. Guo (who holds 8% equity interests in Jilin Yutai), has provided a written undertaking to Homeland PRC to irrevocably undertake that he shall, among other things, (i) not sell, transfer, create encumbrances or other third party rights or otherwise dispose of any equity interests in Jilin Yutai legally held by him, (ii) approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai to approve, all actions necessary to be taken by Jilin Yutai in satisfaction and fulfill its obligations

CONTINUING CONNECTED TRANSACTIONS

under each of the agreements underlying the Contractual Arrangements, and (iii) procure Jilin Yutai to fulfill all its obligations under the Contractual Arrangements, and that he will not carry out any act that may affect or hinder the fulfillment of Jilin Yutai's obligations under each of the agreements underlying the Contractual Arrangements to which Jilin Yutai is a party. Detailed terms of the three agreements, the Power of Attorney and the undertakings are set out in the section headed "Contractual Arrangements" in this prospectus.

Listing Rules Implications

Each of Mr. Wu, Mr. Jiang and Mr. Su is a controlling shareholder of our Company and an executive Director of our Company and is therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. In addition, the Founders together and as parties acting in concert beneficially held 92% of the interest in Jiexiang Interactive. Each of Jiexiang Interactive and its subsidiaries is therefore an associate of each of the Founders and a connected person of our Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations and it is justifiable and is in normal business practice for agreements under the Contractual Arrangements to have a term of longer than three years to ensure that (i) the financial and operational policies of Jiexiang Interactive and its subsidiaries can be effectively controlled by Homeland PRC, (ii) Homeland PRC can obtain the economic benefits derived from Jiexiang Interactive and its subsidiaries and (iii) any possible leakages of assets and values of Jiexiang Interactive and its subsidiaries can be prevented on an uninterrupted basis. Such transactions have been entered into on normal commercial terms or better and are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of Jiexiang Interactive and its subsidiaries are consolidated into our Group's financial statements as subsidiaries, and the flow of economic benefit of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between Jiexiang Interactive and any member of our Group ("**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

CONTINUING CONNECTED TRANSACTIONS

Application for waiver

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver (i) pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, and (ii) pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (a) the requirement of setting an annual cap for the fees payable to Homeland PRC under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (b) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange subject however to the following conditions:

(a) ***No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) ***No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) ***Economic benefits flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Jiaxiang Interactive and its subsidiaries through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire, all or part of the equity interest in and/or assets of Jiaxiang Interactive at the minimum purchase price permitted under PRC laws and regulations, (ii) the business structure under which the profit generated by Jiaxiang Interactive and its subsidiaries is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Homeland PRC by Jiaxiang Interactive under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Jiaxiang Interactive.

(d) ***Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and Jiaxiang Interactive and its subsidiaries, on the other hand, that framework may be

CONTINUING CONNECTED TRANSACTIONS

renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) *Ongoing reporting and approvals*

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Jiexiang Interactive and its subsidiaries has been substantially retained by Homeland PRC, (ii) no dividends or other distributions have been made by Jiexiang Interactive or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Jiexiang Interactive during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.
- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Jiexiang Interactive to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

CONTINUING CONNECTED TRANSACTIONS

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, Jiayang Interactive and each of its subsidiaries will be treated as our Company’s subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Jiayang Interactive and its associates will be treated as connected persons of our Company (excluding for this purpose, Jiayang Interactive and its subsidiaries), and transactions between these connected persons and our Group (including for this purpose, Jiayang Interactive and its subsidiaries), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Jiayang Interactive will undertake that, for so long as the Shares are listed on the Stock Exchange, Jiayang Interactive will provide our Group’s management and our Company’s auditor full access to its relevant records, and (where applicable) relevant records of its subsidiaries, for the purpose of our Company’s auditor’s review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreement, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from Jiayang Interactive under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that Jiayang Interactive will continue to be treated as our Company’s subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Jiayang Interactive and its associates will be treated as connected persons of our Company (excluding for this purpose, Jiayang Interactive and its subsidiaries), and transactions between these connected persons and our Group (including for this purpose, Jiayang Interactive and its subsidiaries), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONFIRMATION FROM THE SOLE SPONSOR

Based on the relevant documents and information provided by our Group and reviewed by the Sole Sponsor, the necessary representations and confirmations provided by our Company and our Directors to the Sole Sponsor and the Sole Sponsor’s due diligence and discussions with our management and our PRC Legal Advisor, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group’s legal structure and business operations and that the non-exempt continuing connected transactions described above, and for which waiver has been sought, have been entered in our ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable, or advantageous, so far as our Group is concerned and are in the interests of our Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

The Sole Sponsor is of the view that it is justifiable and in normal business practice for the Contractual Arrangements to have a term of longer than three years to ensure that (i) the financial and operational policies of Jiayang Interactive and its subsidiaries can be effectively controlled by Homeland PRC, (ii) Homeland PRC can obtain the economic benefits derived from Jiayang Interactive and its subsidiaries and (iii) any possible leakages of assets and values of Jiayang Interactive and its subsidiaries can be prevented on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. The functions and duties of our Board include, among other things, convening general meetings, implementing the resolutions passed at the general meetings, determining our business and investment plans, formulating our annual financial budget and financial statements, and formulating our proposals for dividend distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association.

Our senior management is responsible for the day-to-day management and operation of our business.

The following table sets forth certain information in respect of our Directors and senior management:

Name	Age	Existing position(s) in our Company	Date of Joining the Group	Date of Appointment	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
<i>Directors</i>						
Wu Chengze (吳承澤)	34	Chairman, Chief Executive Officer and executive Director	November 13, 2009	May 7, 2018	Formulating and implementing the overall development strategies and business plans of our Group and overseeing the overall development and operations of our Group	None
Jiang Mingkuan (蔣明寬)	37	Chief Operating Officer and executive Director	November 13, 2009	May 7, 2018	Overseeing and managing the operations of our Group	None
Su Bo (蘇波)	34	Chief Investment Officer and executive Director	November 13, 2009	May 7, 2018	Overseeing and managing the strategic development and expansion plan of our Group	None
Guo Shunshun (郭順順)	30	Chief Product Officer and executive Director	December 5, 2012	September 20, 2018	Overseeing the development and production of our games	None
Men Geng (門耕)	30	Executive Director	February 20, 2014	September 20, 2018	Overseeing the private game room business of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing position(s) in our Company	Date of Joining the Group	Date of Appointment	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
Yu Ronald Patrick Lup Man (余立文)	48	Independent non-executive Director	July 4, 2019	June 5, 2019, with appointment with effect from the Listing Date	Providing independent advice to our Board	None
Zhang Yuguo (張玉國)	48	Independent non-executive Director	July 4, 2019	June 5, 2019, with appointment with effect from the Listing Date	Providing independent advice to our Board	None
Hu Yangyang (胡洋洋)	29	Independent non-executive Director	July 4, 2019	June 5, 2019, with appointment with effect from the Listing Date	Providing independent advice to our Board	None
Senior Management						
Gao Junfeng (高峻峰)	45	Chief Financial Officer and Joint Company Secretary	January 8, 2018	February 1, 2018 (as to the position of Chief Financial Officer) and September 20, 2018 (as to the position of Joint Company Secretary, which appointment became effective on June 12, 2019)	Overseeing the financial and accounting and company secretarial matters of our Group	None
Yang Lu (楊璐)	36	Chief Communications Officer	May 4, 2018	May 4, 2018	Managing public relationship	None
Li Wei (李偉)	35	Advisor to Chief Executive Officer	August 1, 2013	August 1, 2013	Assisting the Chief Executive Officer of our Group in executing the overall development strategies and business plans of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wu Chengze (吳承澤), aged 34, is a Founder, the Chairman and the Chief Executive Officer of our Group and an executive Director of our Company. Mr. Wu is primarily responsible for formulating and implementing the overall development strategies and business plans of our Group and overseeing the overall development and operations of our Group. He was appointed as a Director on May 7, 2018 and his position as Chairman and Chief Executive Officer took effect on September 20, 2018. He has held various other positions in our Group, including chief operating officer of our Group prior to 2014 and the general manager of Jiaxiang Interactive since September 2015. Mr. Wu has over eight years of experience in the game industry. Prior to founding our Group, Mr. Wu worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from August 2006 to September 2009.

Mr. Wu completed his master's degree in law in July 2009 at Jilin University (吉林大學) in the PRC.

Mr. Wu was a shareholder and a director of Beijing Jiaxiang Online Technology Company Limited (北京家鄉在線科技有限公司), which was established in July 2014. As the company had not carried out any business operations since its establishment and had remained dormant for over six months, its business registration license was revoked in August 2016.

Mr. Jiang Mingkuan (蔣明寬), aged 37, is a Founder and the Chief Operating Officer of our Group and an executive Director of our Company. Mr. Jiang is primarily responsible for overseeing and managing the operations of our Group. He was appointed as a Director on May 7, 2018 and his position as Chief Operating Officer took effect on September 20, 2018. He has held various other positions in our Group, including general manager of Jilin Xinze since November 2009, chief technology officer of our Group prior to 2014 and chief operating officer of our Group since 2014. Mr. Jiang has over eight years of experience in the game industry. Prior to founding our Group, Mr. Jiang worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to January 2009.

Mr. Jiang completed his bachelor's studies in computer software (through distance learning) from Jilin University (吉林大學) in the PRC in June 2008.

Mr. Su Bo (蘇波), aged 34, is a Founder and the Chief Investment Officer of our Group and an executive Director of our Company. Mr. Su is primarily responsible for overseeing and managing the strategic development and expansion plan of our Group. He was appointed as a Director on May 7, 2018 and his position as Chief Investment Officer took effect on September 20, 2018. He has held various other positions in our Group, including officer responsible for overseeing the financial, legal and administrative matters of our Group and chief investment officer of our Group since February 2018. Mr. Su has over eight years of experience in the game industry. Prior to founding our Group, Mr. Su worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to November 2009. Since September 2017, Mr. Su has also been a mentor of post-graduate students at Changchun University of Technology (長春工業大學).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Su completed his bachelor's studies in computer software (through distance learning) from Jilin University (吉林大學) in the PRC in June 2007.

Mr. Su was a director of Beijing Jiayang Online Technology Company Limited (北京家鄉在線科技有限公司), which was established in July 2014. As the company had not carried out any business operations since its establishment and had remained dormant for over six months, its business registration license was revoked in August 2016.

Mr. Guo Shunshun (郭順順), aged 30, is the Chief Product Officer of our Group and an executive Director of our Company. Mr. Guo is primarily responsible for overseeing the development and production of our games. He joined our Group in December 2012 and has held various positions in our Group, including head of game design and development of Jilin Xinze since December 2012 and director of the board and card game business department of Jiayang Interactive since September 2015. He was appointed as a Director on September 20, 2018 and his position as Chief Product Officer took effect on the same date. Mr. Guo has over eight years of experience in the game industry. Prior to joining our Group, Mr. Guo worked at Jilin Reawin Technology Co., Ltd. (吉林省睿網科技股份有限公司) as a programmer from November 2009 to April 2010. Mr. Guo completed his senior secondary education in July 2007.

Mr. Men Geng (門耕), aged 30, is an executive Director of our Company. Mr. Men is primarily responsible for overseeing the private game room business of our Group. He joined our Group in February 2014 and has held various positions in our Group, including technical consultant of Jilin Xinze from February 2014 to June 2017 and general manager of Beijing Yuke since March 2017. He was appointed as a Director on September 20, 2018. Mr. Men has over four years of experience in the game industry. Prior to joining our Group, he was an engine development software engineer of ChangYou.com Limited, a company listed on the NASDAQ Stock Market (NASDAQ: CYOU), from February 2012 to April 2013. From May 2013 to August 2013, Mr. Men served at Beijing Handloft Technology Co., Ltd. (北京掌順科技有限公司) as a game development engineer.

Mr. Men received his bachelor's degree in software engineering from Changchun University of Science and Technology (長春理工大學) in the PRC in June 2012.

Independent non-executive Directors

Mr. Yu Ronald Patrick Lup Man (余立文), aged 48, was appointed as our independent non-executive Director on June 5, 2019 for a fixed term of three years commencing from the Listing Date, and is responsible for providing independent advice to our Board. He has over 20 years of experience in accounting, finance and investment. Mr. Yu worked at PricewaterhouseCoopers and held various positions, ranging from associate in assurance department to senior manager, from April 1997 to February 2006. From April 2006 to May 2007, he served at Citigroup Global Markets Asia Limited, where his last position was vice president in Asia-Pacific international operations department. From May 2007 to March 2009, he worked with Starr International Company (Asia), Limited as an Associate Director and was responsible for monitoring direct investments, fund investments and listed equity investments. From May 2010 to January 2017, he worked at Sinocap Investment Holdings Limited and

DIRECTORS AND SENIOR MANAGEMENT

held various positions, including executive director and responsible officer. Mr. Yu was a director of investment of WK Fund Management Limited from January 2017 to October 2018. He has been an independent non-executive director at Simplicity Holding Limited, a company listed on the Stock Exchange (stock code: 8367), since February 2018. Since March 2019, Mr. Yu has been a responsible officer of Zeus Asset Management Limited (previously known as VisTreasure Asset Management Limited) licensed to conduct type 4 (advising on securities) and type 9 (asset management) regulated activities as defined under the SFO.

Mr. Yu received his bachelor's degree in informatics from Griffith University in Australia in March 1993 and graduated from The University of Queensland in Australia with a master's degree in professional accounting in December 1995. Mr. Yu was designated as a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) in December 2008. He has also been a member of CPA Australia since June 1996 and a fellow since March 2016.

Mr. Yu was a director of the following company, which was dissolved or wound-up (but not due to members' voluntary winding-up), with details as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activity immediately before dissolution</u>	<u>Date of dissolution or winding-up</u>	<u>Details</u>
Rui Capital Limited	Hong Kong	Consulting	8 March 2013	Reason for dissolution by deregistration was cessation of business

Mr. Yu confirmed that there was no wrongful act on his part leading to the above dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of the above dissolution. Furthermore, Rui Capital Limited was solvent at the time of its dissolution.

Mr. Zhang Yuguo (張玉國), aged 48, was appointed as our independent non-executive Director on June 5, 2019 for a fixed term of three years commencing from the Listing Date, and is responsible for providing independent advice to our Board. Mr. Zhang has worked in Jilin University since March 1996 and currently serves as an Associate Professor of the Northeast Asian Studies College of Jilin University (吉林大學東北亞研究院) in the PRC.

Mr. Zhang obtained his doctor of law degree from the College of Administration of Jilin University (吉林大學行政學院) in June 2008.

Mr. Hu Yangyang (胡洋洋), aged 29, was appointed as our independent non-executive Director on June 5, 2019 for a fixed term of three years commencing from the Listing Date, and is responsible for providing independent advice to our Board. Mr. Hu serves as an associate of the Investment Banking Division of Ping An Securities Co., Ltd. since July 2015, primarily advising on initial public offerings and other corporate finance related matters. Prior to joining Ping An Securities Co., Ltd., Mr. Hu worked at the Financial Services Organization of Ernst & Young Hua Ming LLP Shanghai Branch from October 2012 to March 2015 and was mainly responsible for conducting financial audits.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hu received his bachelor's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2012 and obtained his master's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in June 2018. Mr. Hu has been a non-practising member of The Chinese Institute of Certified Public Accountants (CICPA) since March 2017 and became a member of The Association of Chartered Certified Accountants (ACCA) since March 2017.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please refer to the section headed "Appendix IV — Statutory and General Information" in this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there are no other matters in respect of each of our directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management team comprises our executive Directors and the following members:

Mr. Gao Junfeng (高峻峰), aged 45, is the Chief Financial Officer and a Joint Company Secretary of our Group. He joined our Group in January 2018 and is responsible for overseeing the financial and accounting and company secretarial matters of our Group. Mr. Gao has over 20 years of accounting and finance experience. Prior to joining our Group, he held senior positions in accounting and finance in China-based public companies. From July 2004 to October 2007, Mr. Gao served as a senior manager of the Internal Control and Risk Management Department at the Beijing office of PricewaterhouseCoopers. From July 2008 to February 2010, he was the Director of Finance of ATA Inc., a company listed on the NASDAQ Stock Market (NASDAQ: ATAI), and from March 2010 to November 2012, the chief financial officer of Xueda Education Group, a company formerly listed on the New York Stock Exchange (NYSE: XUE) which has been privatized and delisted in 2016. From October 2013 to June 2015, Mr. Gao was an executive director and the chief financial officer of Boyaa Interactive International Limited, a company listed on the Stock Exchange (stock code: 434).

Mr. Gao received his bachelor's degree in accounting from the Shanghai University of Finance and Economy (上海財經大學) in the PRC in July 1996. Mr. Gao is a member of the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Ms. Yang Lu (楊璐), aged 36, is the Chief Communications Officer of our Group. She joined our Group in May 2018 and is primarily responsible for managing public relationship. Ms. Yang has over 15 years of marketing and management experience. From May 2001 to November 2008, Ms. Yang worked at Mengzhou Yuanmao Construction Materials Co., Ltd. (孟州市源茂建築材料有限公司) and was mainly responsible for sales management. Prior to joining our Group and from January 2009 to April 2018, Ms. Yang worked at China Aviation Lithium Battery Co., Ltd. (中航鋰電(洛陽)有限公司) with a management role.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Yang received her bachelor's degree in Chinese literature from PLA University of Foreign Language (中國人民解放軍外國語學校) in June 2001.

Mr. Li Wei (李偉), aged 35, is the advisor to the Chief Executive Officer of our Group. He is responsible for assisting the Chief Executive Officer of our Group in executing the overall development strategies and business plans of our Group. Mr. Li joined our Group in August 2013 and has held various positions in our Group, including marketing director at Jilin Xinze. He has over 12 years of experience in sales management. Prior to joining our Group, Mr. Li served as sales manager at Beijing Yicai Internet Technology Co., Ltd. (北京易彩互聯科技有限公司) from May 2005 to December 2006. From January 2007 to March 2008, he was the sales development director of Asian Financial (Beijing) Investment Co. Ltd. (亞洲金控(北京)投資有限公司). From December 2010 to July 2013, Mr. Li worked at Netconcepts Internet Technology (Beijing) Co., Ltd. (耐特康賽網絡技術(北京)有限公司) as business development director.

Mr. Li received a diploma in e-commerce from Beijing Wuzi University (北京物資學院) in the PRC in January 2007.

Save as disclosed above, none of our senior management members holds or has held any directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Gao Junfeng (高峻峰) was appointed as our joint company secretary on September 20, 2018 and with effect from June 12, 2019. For details of Mr. Gao's biography, please see the section headed "Senior Management" above.

Ms. Leung Suet Lun (梁雪綸) is another joint company secretary of our Company and was appointed on September 20, 2018 and with effect from June 12, 2019. Ms. Leung is a manager of the Listing Services Department of TFM Hong Kong Limited. Ms. Leung has over ten years of professional experience in legal, company secretarial and tax consulting fields. She currently serves as the joint company secretary for various public companies listed on the Stock Exchange, including Poly Culture Group Corporation Limited (stock code: 3636), China Traditional Chinese Medicine Holdings Co. Limited (stock code: 570) and Tsaker Chemical Group Limited (stock code: 1986) and assistant company secretary of Red Star Macalline Group Corporation Ltd. (stock code: 1528). From September 2006 to September 2009, Ms. Leung worked at KPMG Tax Limited. From January 2012 to December 2014, Ms. Leung worked in a law firm in Hong Kong. She obtained a Bachelor's Degree in Social Sciences and a Bachelor's Degree of Laws from the University of Hong Kong in 2005 and 2006 respectively. She is a member of the Hong Kong Institute of Certified Public Accountants and a solicitor of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Yu Ronald Patrick Lup Man, Mr. Zhang Yuguo and Mr. Hu Yangyang, our independent non-executive Directors. Mr. Yu Ronald Patrick Lup Man has been appointed as the chairman of the audit committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely Mr. Yu Ronald Patrick Lup Man, Mr. Zhang Yuguo and Mr. Hu Yangyang, our independent non-executive Directors. Mr. Yu Ronald Patrick Lup Man has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, being Mr. Yu Ronald Patrick Lup Man and Mr. Hu Yangyang and one executive Director, being Mr. Wu Chengze, who is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

BOARD DIVERSITY POLICY

Our Company recognizes the importance of achieving diversity in the Board and the board diversity policy of the Company sets out the approach to include and make good use of differences in the talents, skills, knowledge, regional and industry experience, cultural and educational background, ethnicity, gender, length of service and other qualities of the members of the Board. In particular, there will be no discrimination on the ground of race, age, gender or religious belief. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

DIRECTORS AND SENIOR MANAGEMENT

The nomination committee of the Company shall take responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession. Gender diversity is lacking in the current composition of the Board as all the executive Directors have worked in our Group for a number of years and as a company with relatively short history which is to be newly listed, the Company considers that it is more important to have board members that have direct industry and work experience in our Group. Our executive Directors have solid industry knowledge and expertise, especially in localized coding, programming and software engineering. They obtained degrees in various majors including computer software and software engineering. We have three independent non-executive Directors with different backgrounds including accounting, finance and investment. Furthermore, our Board comprises Directors of a wide range of age, ranging from 29 years old to 48 years old. Taking into account our existing business model and specific needs as well as the mix of knowledge, skills, experience and age group of our Directors, our Directors consider that the composition of our Board satisfies our board diversity policy. Going forward, the Company will consider the possibility nominating female senior management to the Board or appointing female independent non-executive Director who has the necessary skills and experience. In particular, the Company plans to appoint a female independent non-executive Director by the end of 2020. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level so that the Company will have a pipeline of female senior management in a few years' time. The Company's objective is to achieve a 20% female representation in its Board within five years of Listing.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Wu is our Chairman and Chief Executive Officer. With extensive experience in the game industry, Mr. Wu is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since our establishment. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experience and high-caliber individuals. Our Board currently comprises five executive directors (including Mr. Wu) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management presence

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers from Compliance with the Listing Rules — Waiver in relation to Management Presence in Hong Kong".

DIRECTORS AND SENIOR MANAGEMENT

Qualification of one of our Joint Company Secretaries

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the requirement on the qualifications of one of our joint company secretaries, Mr. Gao Junfeng. For details of the waiver, please see the section headed “Waivers from Compliance with the Listing Rules — Waiver in relation to our Joint Company Secretary”.

COMPLIANCE ADVISER

We have appointed China Everbright Capital Limited as our compliance adviser (the “**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 in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind.

The aggregate remuneration (including fees, salaries, discretionary bonuses, allowances, benefits in kind, and contributions to pension schemes) incurred for our Directors for the years ended December 31, 2016, 2017 and 2018 was approximately RMB218,000, RMB1,720,000 and RMB2,443,000, respectively.

The five highest paid individuals of our Group for the years ended December 31, 2016, 2017 and 2018 included one, three and two Directors, respectively, whose remuneration is included in the aggregate amount of remuneration (including fees, salaries, discretionary bonuses, allowances,

DIRECTORS AND SENIOR MANAGEMENT

benefits in kind, and contributions to pension schemes) as set out above. The aggregate amount of fees, salaries, discretionary bonuses, allowances, benefits in kind, and contributions to pension schemes paid for the remaining four, two and three individuals for the years ended December 31, 2016, 2017 and 2018 was approximately RMB530,000, RMB881,000 and RMB1,567,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2016, 2017 and 2018. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the years ended December 31, 2016, 2017 and 2018 by the Group to the Directors.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2019 is estimated to be approximately RMB3.5 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

SHARE INCENTIVE SCHEMES

In order to incentivize our Directors, senior management and employees for their contribution to the Group and to attract and retain skilled and experienced personnel to enhance the development of our Group, we have adopted the Share Award Scheme and the Post-IPO Share Option Scheme. In anticipation of the Listing and as part of our Reorganization, 79,276,000 Shares were issued and allotted by our Company to the Award Nominee at par value of US\$0.000005 each (with the consideration funded by the Founders). The Award Shares shall be held by the Award Nominee for the benefit of certain employees and other eligible participants pursuant to the Share Award Scheme. As of the date of this prospectus, other than the 79,276,000 Shares as mentioned above, no Award Shares had been granted or awarded under the Share Award Scheme. In addition, we have conditionally adopted the Post-IPO Share Option Scheme to allow us to grant options to selected Directors, senior management and employees after Listing. The principal terms of the Share Award Scheme and the Post-IPO Share Option Scheme are summarized in the section headed “Appendix IV — Statutory and General Information — D. Share Incentive Schemes” in this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 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 Company or any of our subsidiaries:

Name of shareholder	Name of Company	Nature of interest	Shares held as of the date of this prospectus		Immediately after the Global Offering (assuming the Over-allotment Option is not exercised) ⁽¹⁾	
			Number of Shares or securities held	Approximate percentage of interest in our Company or our subsidiary	Number of Shares ⁽²⁾ or securities held	Approximate percentage of interest in our Company or our subsidiary ⁽²⁾
Mr. Wu ⁽³⁾	The Company	Interest in controlled corporation	433,842,000	46.06%	433,842,000	34.54%
Wu Chengze Network Limited ⁽³⁾	The Company	Beneficial owner	433,842,000	46.06%	433,842,000	34.54%
Mr. Jiang ⁽⁴⁾	The Company	Interest in controlled corporation	144,614,000	15.35%	144,614,000	11.51%
Jiang Ming Kuan Network Limited ⁽⁴⁾	The Company	Beneficial owner	144,614,000	15.35%	144,614,000	11.51%
Mr. Su ⁽⁵⁾	The Company	Interest in controlled corporation	144,614,000	15.35%	144,614,000	11.51%
Su Bo Network Limited ⁽⁵⁾	The Company	Beneficial owner	144,614,000	15.35%	144,614,000	11.51%
Mr. Guo ⁽⁶⁾	The Company	Interest in controlled corporation	69,018,000	7.33%	69,018,000	5.50%
Guo Shun Shun Network Limited ⁽⁶⁾	The Company	Beneficial owner	69,018,000	7.33%	69,018,000	5.50%
The Core Trust Company Limited ⁽⁷⁾	The Company	Trustee of a trust	79,276,000	8.42%	79,276,000	6.31%
WL Universe Limited ⁽⁷⁾	The Company	Nominee for another person	79,276,000	8.42%	79,276,000	6.31%
Jilin Yutai ⁽⁸⁾	Jiaxiang Interactive	Beneficial owner	RMB10,000,000 registered capital	100%	RMB10,000,000 registered capital	100%
Mr. Wu ⁽⁸⁾	Jiaxiang Interactive	Interest in controlled corporation	RMB10,000,000 registered capital	100%	RMB10,000,000 registered capital	100%
Mr. Jiang ⁽⁸⁾	Jiaxiang Interactive	Other	RMB10,000,000 registered capital	100%	RMB10,000,000 registered capital	100%
Mr. Su ⁽⁸⁾	Jiaxiang Interactive	Other	RMB10,000,000 registered capital	100%	RMB10,000,000 registered capital	100%

SUBSTANTIAL SHAREHOLDERS

Notes:

- 1) All interests stated are long positions.
- 2) The calculation is based on the total number of 1,256,000,000 Shares in issue immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised.
- 3) Mr. Wu holds the entire share capital of Wu Chengze Network Limited, which in turn directly holds 433,842,000 Shares. Accordingly, Mr. Wu is deemed to be interested in the 433,842,000 Shares held by Wu Chengze Network Limited.
- 4) Mr. Jiang holds the entire share capital of Jiang Ming Kuan Network Limited, which in turn directly holds 144,614,000 Shares. Accordingly, Mr. Jiang is deemed to be interested in the 144,614,000 Shares held by Jiang Ming Kuan Network Limited.
- 5) Mr. Su holds the entire share capital of Su Bo Network Limited, which in turn directly holds 144,614,000 Shares. Accordingly, Mr. Su is deemed to be interested in the 144,614,000 Shares held by Su Bo Network Limited.
- 6) Mr. Guo holds the entire share capital of Guo Shun Shun Network Limited, which in turn directly holds 69,018,000 Shares. Accordingly, Mr. Guo is deemed to be interested in the 69,018,000 Shares held by Guo Shun Shun Network Limited.
- 7) The Core Trust Company Limited, being the trustee of the Share Award Scheme, directly holds the entire issued share capital of the Award Nominee, WL Universe Limited, which holds 79,276,000 Award Shares granted under the Share Award Scheme for the benefit of eligible participants pursuant to the Share Award Scheme.
- 8) Jilin Yutai holds the entire registered capital of RMB10,000,000 in Jiaxiang Interactive. Jilin Yutai is held as to 92% by Mr. Wu and 8% by Mr. Guo. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiaxiang Interactive. Of the 92% interests held by Mr. Wu in Jilin Yutai, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su.

Other than as disclosed above, the substantial shareholders are not related to one another.

Save as disclosed above and in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — Disclosure of Interests” in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 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 any other member of the Group.

CORNERSTONE INVESTORS

CORNERSTONE INVESTMENT

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the four cornerstone investors described below (each a “**Cornerstone Investor**”, and together, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to subscribe for, at the Offer Price, such number of Offer Shares in aggregate (rounded down to the nearest whole board lot of 2,000 Shares for each Cornerstone Investor) that may be purchased with HK\$45,216,000, and the Hong Kong dollars equivalent to an aggregate amount of US\$16,246,438.64 (approximately HK\$127,387,000, assuming an exchange rate of US\$1.00 = HK\$7.841) (the “**Cornerstone Investment**”).

Assuming an Offer Price of HK\$1.35 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 127,736,000, representing approximately (i) 45.2% of the International Offer Shares, 40.7% of the Offer Shares and 10.2% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 42.3% of the International Offer Shares, 38.3% of the Offer Shares and 10.2% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.60 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 107,758,000, representing approximately (i) 38.1% of the International Offer Shares, 34.3% of the Offer Shares and 8.6% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 35.7% of the International Offer Shares, 32.3% of the Offer Shares and 8.6% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.85 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 93,212,000, representing approximately (i) 33.0% of the International Offer Shares, 29.7% of the Offer Shares and 7.5% of the Shares in issue immediately following completion of the Global

CORNERSTONE INVESTORS

Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 30.9% of the International Offer Shares, 27.9% of the Offer Shares and 7.5% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

The Cornerstone Investment forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company. The Cornerstone Investors will not subscribe for Offer Shares under the Global Offering (other than and pursuant to the Cornerstone Investment Agreements). Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, and will not become a substantial shareholder of our Company. No special rights have been granted to the Cornerstone Investors as part of Cornerstone Investment. To the best knowledge of our Directors, each of the Cornerstone Investors and their respective ultimate beneficial owners is an independent third party, not our connected person, and not an existing Shareholder of our Company or its close associates.

The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering - Hong Kong Public Offering - Reallocation” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around July 3, 2019.

INFORMATION OF THE CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Investment.

1. **337 Technology Limited** 上上簽科技有限公司 (“**337 Technology**”)

337 Technology has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with HK\$22,608,000 at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee).

337 Technology is a company incorporated in Hong Kong and is engaged in the research and development of internet products. It is a wholly-owned subsidiary of Beijing ELEX Technology Co., Ltd. (北京智明星通科技股份有限公司) (“**ELEX**”), whose shares are listed on the National Equities Exchange and Quotations (stock code:872801). ELEX is engaged in the development and operation of mobile online games and internet services.

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Assuming an Offer Price of HK\$1.35 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by 337 Technology would be 16,746,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 5.9% of the International Offer Shares, 5.3% of the Offer Shares and 1.3% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 5.5% of the International Offer Shares, 5.0% of the Offer Shares and 1.3% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.60 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by 337 Technology would be 14,120,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 5.0% of the International Offer Shares, 4.5% of the Offer Shares and 1.1% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 4.7% of the International Offer Shares, 4.2% of the Offer Shares and 1.1% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.85 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by 337 Technology would be 12,220,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 4.3% of the International Offer Shares, 3.9% of the Offer Shares and 1.0% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 4.0% of the International Offer Shares, 3.7% of the Offer Shares and 1.0% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

2. **Smart Gamefactory Technology Limited (“Smart Gamefactory”)**

Smart Gamefactory has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with the HK\$22,608,000 at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee).

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Smart Gamefactory is a company incorporated in Hong Kong and a wholly-owned subsidiary of Long Tech Network Limited (龍悅網絡有限公司) (“**Long Tech**”), which in turn is wholly-owned by Beijing Longchuang Yuedong Technology Limited (北京龍創悅動網絡科技有限公司) (“**Beijing Longchuang**”), a company established in the PRC. Smart Gamefactory and Long Tech are engaged in the development and operation of games. Beijing Longchuang is engaged in the development of software and games. Beijing Longchuang is ultimately controlled by Mr. Chen Gangming (陳鋼銘).

Assuming an Offer Price of HK\$1.35 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Smart Gamefactory would be 16,746,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 5.9% of the International Offer Shares, 5.3% of the Offer Shares and 1.3% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 5.5% of the International Offer Shares, 5.0% of the Offer Shares and 1.3% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.60 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Smart Gamefactory would be 14,120,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 5.0% of the International Offer Shares, 4.5% of the Offer Shares and 1.1% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 4.7% of the International Offer Shares, 4.2% of the Offer Shares and 1.1% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.85 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Smart Gamefactory would be 12,220,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 4.3% of the International Offer Shares, 3.9% of the Offer Shares and 1.0% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 4.0% of the International Offer Shares, 3.7% of the Offer Shares and 1.0% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

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3. Co-challengers Growth Limited (“Co-challengers Growth”)

Co-challengers Growth has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with the Hong Kong dollars equivalent to US\$14,246,438.64 (calculated at the exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited after the close of business on the business day immediately prior to the Price Determination Date) at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee).

Co-challengers Growth is a company incorporated in the Cayman Islands and is wholly-owned by Xiamen Challenger Venture Capital Partnership (Limited Partnership) (廈門挑戰者創業投資合夥企業(有限合夥)) (“**Xiamen Challenger**”), a limited partnership formed under the laws of the PRC. Xiamen Yizhou Xingchen Investment Management Limited (廈門壹舟星辰投資管理有限公司) (“**Xingchen Investment Management**”) is the sole general partner of Xiamen Challenger. Xiamen Challenger primarily invests in early-stage enterprises. Co-challengers Growth is ultimately controlled by Mr. Li Bo (李博), who has approximately 90% indirect interest in Xingchen Investment Management, the general partner of Xiamen Challenger.

Assuming an Offer Price of HK\$1.35 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Co-challengers Growth would be 82,744,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 29.3% of the International Offer Shares, 26.4% of the Offer Shares and 6.6% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 27.4% of the International Offer Shares, 24.8% of the Offer Shares and 6.6% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.60 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Co-challengers Growth would be 69,816,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 24.7% of the International Offer Shares, 22.2% of the Offer Shares and 5.6% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 23.1% of the International Offer Shares, 20.9% of the Offer Shares and 5.6% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

CORNERSTONE INVESTORS

Assuming an Offer Price of HK\$1.85 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Co-challengers Growth would be 60,380,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 21.4% of the International Offer Shares, 19.2% of the Offer Shares and 4.8% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 20.0% of the International Offer Shares, 18.1% of the Offer Shares and 4.8% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

4. **Tuyoo Online (HK) Limited 在線途遊(香港)有限公司 (“Tuyoo Online”)**

Tuyoo Online has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with the Hong Kong dollars equivalent to US\$2,000,000 (calculated at the exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited after the close of business on the business day immediately prior to the Price Determination Date) at the Offer Price (inclusive of brokerage, SFC transaction levy and Stock Exchange trading fee).

Tuyoo Online is a company incorporated in Hong Kong and is wholly-owned by Online Tuyou, which engages in the operation and promotion of online games and provision of online games consultancy services. Online Tuyou is owned by a number of corporate and individual shareholders. Apart from Mr. Li Jianliang (李建良) who owns 24.59% of the equity interest in Online Tuyou, no other shareholder of Online Tuyou owns more than 15% equity interest in Online Tuyou.

Assuming an Offer Price of HK\$1.35 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Tuyoo Online would be 11,500,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 4.1% of the International Offer Shares, 3.7% of the Offer Shares and 0.9% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 3.8% of the International Offer Shares, 3.4% of the Offer Shares and 0.9% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

CORNERSTONE INVESTORS

Assuming an Offer Price of HK\$1.60 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Tuyoo Online would be 9,702,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 3.4% of the International Offer Shares, 3.1% of the Offer Shares and 0.8% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 3.2% of the International Offer Shares, 2.9% of the Offer Shares and 0.8% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.85 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by Tuyoo Online would be 8,392,000 Shares (rounded down to the nearest whole board lot), representing approximately (i) 3.0% of the International Offer Shares, 2.7% of the Offer Shares and 0.7% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme; or (ii) 2.8% of the International Offer Shares, 2.5% of the Offer Shares and 0.7% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

Each of the Cornerstone Investors is independent from the Company and its connected persons. The ultimate owner of 337 Technology is an indirect minority investor in each of Co-challengers Growth and Tuyoo Online and a minority investor in Smart Gamefactory also has an indirect minority interest in Tuyoo Online. However, the ultimate owner of 337 Technology has no control over the voting power that can be exercised by each of Co-challengers Growth and Tuyoo Online as a Shareholder after Listing and the minority investor in Smart Gamefactory has no control over the voting power that can be exercised by Tuyoo Online as a Shareholder after Listing. As such, none of the Cornerstone Investors, the ultimate owner of 337 Technology and the minority investor in Smart Gamefactory which has an indirect minority interest in Tuyoo Online is a core connected person (as defined in the Listing Rules). Therefore, the holding of each Cornerstone Investor will be counted towards the public float.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The obligation of each of the Cornerstone Investors to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following conditions precedent:

- (a) the underwriting agreement for the Hong Kong Public Offering and the underwriting agreement for the International Offering being entered into and having become unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) by no later than the time and date as specified in those underwriting agreements or as subsequently varied by agreement of the parties thereto;
- (b) none of the aforesaid underwriting agreements having been terminated;
- (c) the Offer Price having been agreed by the Sole Global Coordinator and our Company in connection with the Global Offering;
- (d) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Main Board of the Stock Exchange;
- (e) the respective representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investors under the relevant Cornerstone Investment Agreement being accurate and true in all material respects and not misleading and there being no material breach of the relevant Cornerstone Investment Agreement on the part of the Cornerstone Investors; and
- (f) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the relevant Cornerstone Investment Agreement and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Sole Sponsor and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares acquired under the respective Cornerstone Investment Agreements or any legal or beneficial interest therein or any interest in any company or entity holding any of such Shares or any voting right or any other right attaching thereto or any shares or other securities deriving from such Shares, including securities that are convertible or exchangeable as any of the above securities or that represent the right to receive any of the above securities, other than transfers to any of its wholly-owned subsidiaries.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

	<u>US\$</u>	<u>Approximate percentage to total share capital</u>
<i>Authorized share capital as of the Latest Practicable Date and immediately following the completion of the Global Offering</i>		
<u>10,000,000,000</u> Shares of US\$0.000005 each	<u>50,000</u>	<u>100.00%</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering</i>		
942,000,000 Shares in issue as of the date of this prospectus	4,710	75.00%
<u>314,000,000</u> Shares to be issued pursuant to the Global Offering	<u>1,570</u>	<u>25.00%</u>
<u>1,256,000,000</u> Total	<u>6,280</u>	<u>100.00%</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full 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 prospectus.

SHARE CAPITAL

SHARE INCENTIVE SCHEMES

We have adopted the Share Award Scheme and conditionally adopted the Post-IPO Share Option Scheme. The principal terms of the Share Award Scheme and the Post-IPO Share Option Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes” in Appendix IV.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders’ resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders’ special resolution. For more details, please see “Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of Association — 2.5 Alteration of capital” in Appendix III.

Pursuant to the Cayman Companies Law and the terms of our Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see “Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of Association — 2.4 Variation of rights of existing shares or classes of shares” in Appendix III.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in “Structure of the Global Offering — Conditions of the Global Offering”, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please see “Statutory and General Information — A. Further Information About the Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on June 5, 2019” in Appendix IV.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto as of and for each of the years ended December 31, 2016, 2017 and 2018 included in the Accountants' Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting policies in other jurisdictions.

Information presented in this section, in particular, in respect of the sections headed "Net Current Assets" and "Indebtedness," that are not extracted or derived from the Accountants' Report have been extracted or derived from management accounts as of and for the four months ended April 30, 2019 (which are not included in this prospectus) or from other records.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

For the purpose of this section, unless the context otherwise requires, reference to 2016, 2017 and 2018 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is on a consolidated basis.

OVERVIEW

We are a leading localized mobile card and board game developer and operator in China with a special focus on localized Mahjong and poker games. Most of our games are the recreation of classic games with a long history in the real world, which provides us with a broad and active potential player base. As of the Latest Practicable Date, we had developed a rich game portfolio and operated 72 mobile apps containing various game products that operate on Android and iOS mobile operating systems. Our numerous game variations have been localized to cover at least some counties in 24 provinces and municipalities in China.

Leveraging our unified platform strategy for game development and strong and effective offline marketing efforts, our business grew rapidly during the Track Record Period. Our cumulative registered players increased from approximately 16,281,000 as of December 31, 2016 to approximately 53,608,000 as of December 31, 2017, and further to approximately 97,096,000 as of December 31, 2018. Over the same period, our DAUs increased from approximately 1,709,300 as of December 31, 2016 to approximately 4,607,900 as of December 31, 2017, and further to approximately 5,205,000 as of December 31, 2018. Our paying players increased from approximately 878,800 for the year ended December 31, 2016 to approximately 3,128,500 for the year ended December 31, 2017, which reached approximately 3,226,200 for the year ended December 31, 2018. In particular, in 2017, we introduced private game rooms to some of our Mahjong and poker game variations, which has gained popularity among our players quickly. Revenue contributed by private game room cards accounted for approximately 42.8% and 48.5% of our total revenue in 2017 and 2018, respectively.

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As such, our revenue increased from RMB51.9 million in 2016 to RMB439.5 million in 2018, representing a CAGR of 190.9%. Our profit and other comprehensive income attributable to owners of the Company for the year increased from RMB23.3 million in 2016 to RMB204.1 million in 2018, representing a CAGR of 196.2%.

We primarily rely on our self-generated user traffic and promote our mobile games through our own game platforms. In addition, we also leverage third-party game distribution channels to promote and distribute our mobile games. These channels include cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc's App Store. They charge us commission fees and we also have to bear the payment services fees. We rely on the payment systems of third-party payment vendors to collect proceeds from the sales of virtual tokens and private game room cards from our paying players, which charge us payment handling fees. Our major payment vendors include WeChat Pay, Alipay and Union Mobile Pay.

Moreover, we have also commenced the distribution of third-party mobile games since August 2018 and shared the proceeds derived from these games distributed on our platforms with the game developers. In the year ended December 31, 2018, revenue derived from the distribution of third-party mobile games amounted to RMB27.1 million, accounting for approximately 6.2% of our revenue for such period.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands in May 2018. Immediately prior to and after the Reorganization, our business of mobile game development and operation, including the private game room business, or the "Listing Business," was carried out by Jilin Xinze, Jiayang Interactive and Jilin Yuke, which were under the control of our Founders. As a result of the Reorganization, Jilin Xinze, Jiayang Interactive and Jilin Yuke as well as the Listing Business are under the effective control of our Founders, and ultimately, of our Company, through the Contractual Arrangements. For the details of our Contractual Arrangements, please see sections headed "History, Reorganization and Corporate Structure" and "Contractual Arrangements" in this prospectus.

Prior to the Reorganization, our Company did not engage in other business and its operations did not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business and did not result in any change in the business substance, nor in any management or the Controlling Shareholders of the Listing Business. Accordingly, the financial information of the companies now comprising our Group for the Track Record Period as contained in the Accountants' Report in Appendix I to this prospectus has been prepared using the carrying value for the Listing Business for all periods presented.

The financial information in the Accountants' Report included in Appendix I to this prospectus has been prepared in accordance with IFRS. The financial information of our Group is presented in Renminbi.

FINANCIAL INFORMATION

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows during the Track Record Period and the consolidated statements of financial position of the Group as of December 31, 2016, 2017 and 2018 are prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entity, where it is a shorter period, has been accounted for as a subsidiary throughout the Track Record Period and until the effective date of disposal.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that a number of factors directly or indirectly affect our business, financial condition and results of operations, including the factors discussed below:

- Development of mobile game industry in China
- Expansion of our player base
- Our ability of enhancing and expanding our mobile game portfolio
- Monetization of our player base
- Expenses relating to our cooperation with third-party distribution channels and payment vendors

Development of Mobile Game Industry in China

Our future development is highly dependent on the continuous and robust growth of the mobile game industry in China, in particular the mobile card and board game industry. The industry we operate in is highly competitive and has grown rapidly in recent years, which was primarily driven by various factors, including technology advancement, the rising penetration of smartphone and other mobile devices, the enhanced Internet connection and the support from PRC governments for products of local culture. To maintain our current market position and grow our business, we are required to anticipate and response to the rapid changes in the competitive landscape and effectively adapt to the evolving player interest and preferences. We face increasing pressure to respond to the changing market conditions, player preferences and mobile technologies, which render it more difficult for us to compete with other industry players. In addition, the increase in the number of mobile games and mobile game developers in the market in China also subject us to intensified competition. As such, our abilities to develop, operate and market our existing and new mobile games will significantly and increasingly affect our business and results of operations.

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Expansion of Our Player Base

The size of our player base reflects the popularity of our game products and is the basis for our sustainable growth. We evaluate our player base primarily by cumulative registered players since our inception and DAUs. Our cumulative registered players increased from approximately 16,281,000 as of December 31, 2016 to approximately 53,608,000 as of December 31, 2017, and further to approximately 97,096,000 as of December 31, 2018. Over the same period, our DAUs increased from approximately 1,709,300 as of December 31, 2016 to approximately 4,607,900 as of December 31, 2017, and further to approximately 5,205,000 as of December 31, 2018. These increases are attributable to the increasing number of our mobile game products and their enhanced acceptance among players, the successful geographic expansion of our game variations, as well as our strong marketing capabilities.

The traditional and engaging nature of our Mahjong and poker games provides us with a broad and active potential player base in China. Our outstanding localization capability enables us to quickly develop game variations targeting players in different locations, which further accelerates our expansion and penetration in regional markets. In addition, the fact that our apps are initially free to download enables us to quickly acquire new players and our unified platform strategy which aggregates various game bundles effectively attracts existing players to try other game products of ours and purchase virtual tokens to continue their game sessions. We believe our ability to leverage our current competitiveness to continue to expand our player base with great loyalty is critical to our future growth.

Our Ability to Enhance and Expand Our Mobile Game Portfolio

Our success and rapid growth in recent years are attributable to our rich game portfolio, most of which are the recreation of classic games with a long history in the real world. We operated 74, 243, and 489 game products in 2016, 2017 and 2018, respectively. Our game portfolio expanded to 508 game products as of the Latest Practicable Date.

We have benefited from our strong localization capability in the past and we will continue to depend on such capability to identify and develop new localized regional game variations. In addition to the geographic coverage of our Mahjong and poker games, we are also urged to develop other types of classic and casual games to attract potential players with different preferences. However, our new games may not be as successful as our current games. Our business, brand name and long-term profitability may be adversely affected if we fail to address the market trends and player needs and roll out popular classic and casual games.

Monetization of Our Player Base

Our sustainable and long-term development is dependent on our ability to monetize our player base. Our paying players increased from approximately 878,800 for the year ended December 31, 2016 to approximately 3,128,500 for the year ended December 31, 2017, and further to approximately 3,226,200 for the year ended December 31, 2018. Over the same period, our ARPPU increased from

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RMB4.93 in 2016 to RMB6.97 in 2017, and further reached RMB11.36 for the year ended December 31, 2018. The number of our registered players and paying players continuously grew in 2016 and 2017 as we significantly enhanced our marketing efforts during such period to accelerate our business expansion. The rapid player acquisition, however, attracted a large number of new players who were enticed by various in-game promotions and reluctant to make additional purchases, thus, normalized to our ARPPU in 2016 and 2017. Our ARPPU increased considerably during the year ended December 31, 2018, reflecting the increasing stickiness of our paying player portfolio. During the Track Record Period, we generated substantially all of our revenue from the sales of virtual tokens and private game room cards. Our private game room function, which was released in 2017, successfully gained popularity among our players and has contributed to the increase of our revenue.

To enhance game monetization, we will continue to stimulate our players' interests and willingness to pay by improving the quality of our game products, launching additional in-game promotions, and introducing new games features.

Expenses Relating to Our Cooperation With Third-Party Distribution Channels and Payment Vendors

Although we primarily rely on our self-generated user traffic, we also leverage third-party game distribution channels to promote and distribute our mobile games. These channels include cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc's App Store. We expect to continue to leverage the nationwide user base of these channels to acquire new players. In addition, we rely on third-party payment vendors, primarily WeChat Pay, Alipay and Union Mobile Pay, to collect payments from our paying players. These payment vendors are also commonly used by our game distribution channels. Our ability to maintain and deepen our relationships with such game distribution channels and payment vendors are significant to our future development.

Moreover, these game distribution channels and payment vendors charge us commission fees and payment handling fees, typically at a flat rate representing a certain percentage of the total amounts paid by our players via these payment channels. These fee terms are set by such distribution channels and payment vendors and are generally not subject to negotiation. As our business continues to grow, we expect to incur increasing expenses in connection with our cooperation with the game distribution channels and payment vendors. Additionally, mobile game distribution model and mobile payment methods in China are evolving quickly. We may be subject to additional expenses if we are required to capture the market trends and leverage new game distribution model or new mobile payment methods, therefore, our reliance on these third-parties may increase and our profitability may be impaired.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 3 to the Accountants' Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective

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assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue Recognition

We generate revenue from self-developed mobile game products and the third-party mobile games distributed on our game platforms. For self-developed mobile game products, our revenue is derived from the sales of virtual tokens and private game room cards. Virtual tokens are used to play all of these game products and for exchanging for other virtual items in these game products. Private game room cards allow our players to initiate and pay for a game session in a virtual “game room” and then invite others to join. Our revenue is recognized at a point in time when the customers obtain control of the services, being the point the customers consume the virtual tokens or the private game room cards to initiate the private game room function, as the case may be, to play the game products. The proceeds from the sales of virtual tokens or private game room cards, once first received, are initially recorded as deferred revenue under current liabilities until the consumption of those virtual tokens and private game room cards by the respective players. On determining the consumption, we make reference to the quantity and fair value of virtual tokens and private game room cards being unutilized by the players in our mobile game products at each period end. We also estimate the players’ unexercised right (the “breakage”) based on historical consumption pattern and revenue for the expected breakage amount is recognized when the likelihood of the player exercising the remaining rights becomes remote. Revenue recognized in respect of our game operations is net of any discounts. There were no revenue recognized due to breakage and all revenue were recognized based on the utilization of the virtual tokens and private game room cards during the Track Record Period. There are no expiration dates for our virtual tokens and private game room cards purchased by the players.

With respect to self-developed mobile game products, we take primary responsibilities of game operation, providing customer services, hosting game servers, if needed, and controlling game and services specifications and pricing. We therefore consider ourselves as a principal and record the revenue received through third-party distribution channels on a gross basis. Commission fees paid to third-party distribution channels are recorded as cost of sales.

For third-party mobile games, we are only responsible for marketing such games on our platforms, providing payment gateway for players to purchase the virtual tokens of respective games via the purchase of and conversion from our virtual products for third-party mobile games, namely diamonds, and provision of limited after-sale basic technical support to the paying players. Those games distributed on our platforms are hosted, maintained, operated and updated independently by the relevant game developers and we have no access to the data on the consumption details and the types of those virtual tokens or goods in the third-party mobile games, nor do we have any obligation for

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the game experience. We consider ourselves as an agent in these arrangements and recognize revenue, net of the portion of proceeds to be shared with the third-party mobile game developers, at a point in time upon the conversion of the virtual diamonds on our platform to those virtual tokens or goods in the respective third-party mobile games.

Property, Plant and Equipment

Property, plant and equipment including building held for use or for administrative purposes, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is recognized to write off the cost of assets less their residual values over the useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated residual value rates and useful lives of each class of properties are as follows:

	Estimated Residual Value Rates	Useful Lives
Leasehold land and buildings	5%	20 years
Furniture and equipment	0% - 5%	3 - 5 years
Motor vehicles	5%	4 - 10 years
Leasehold improvement	0%	5 years

Impairment of Tangible and Intangible Assets

At the end of each reporting period, we review the carrying amounts of our tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. While it is impossible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Government Grants

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable.

Financial instruments

- *Adoption of IFRS 9 and IFRS 15*

IFRS 9 “Financial Instruments” replaced IAS 39 “Financial Instruments: Recognition and Measurement” for recognition and measurement of financial assets and liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. We have applied IAS 39 for the three years ended December 31, 2017 and have applied IFRS 9 on January 1, 2018 in accordance with the transition provisions.

We have reviewed and assessed our Group’s financial assets and financial liabilities as at January 1, 2018 based on the facts and circumstances that existed at that date. The application of IFRS 9 has had no material effect on classification and measurement of financial assets and financial liabilities of our Group as at that date. For detailed financial impact of the adoption of IFRS 9 on our Group’s financial position and financial performance at the date of initial application on January 1, 2018, please refer to the Accountants Report as set out in Appendix I to this prospectus.

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IFRS 15 “Revenue from Contracts with Customers” replaced IAS 18 “Revenue” to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have elected to early apply IFRS 15, which has been applied consistently throughout the Track Record Period. The adoption of IFRS 15, instead of IAS 18, consistently throughout the Track Record Period will not have any significant impact on the financial position or performance of the Group.

- ***Before the adoption of IFRS 9 at January 1, 2018***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivable (including trade and other receivables, amounts due from shareholders, and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Financial liabilities measured at amortized cost including trade and other payables, amounts due to shareholders and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

- ***Under IFRS 9***

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Classification of financial assets cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Amortized cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, i.e. state-managed retirement benefit scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

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Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year or period. Taxable profit differs from “profit before income tax” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that has been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group with line items in absolute amounts and as percentages of total revenue for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)					
Revenue	51,946	100.0	261,751	100.0	439,530	100.0
Cost of sales	(9,315)	(17.9)	(51,693)	(19.7)	(103,308)	(23.5)
Gross profit	42,631	82.1	210,058	80.3	336,222	76.5
Other income	41	0.1	812	0.3	5,109	1.2
Foreign exchange gains (losses), net . . .	48	0.1	(194)	(0.1)	208	0.0
Selling and marketing expenses	(8,790)	(16.9)	(38,888)	(14.9)	(46,646)	(10.6)
Administrative expenses	(3,827)	(7.4)	(17,111)	(6.5)	(26,052)	(5.9)
Listing expenses	—	—	—	—	(15,702)	(3.6)
Profit before income tax	30,103	58.0	154,677	59.1	253,139	57.6
Income tax expense	(5,866)	(11.3)	(21,933)	(8.4)	(36,606)	(8.3)
Profit and total comprehensive income for the year	<u>24,237</u>	<u>46.7</u>	<u>132,744</u>	<u>50.7</u>	<u>216,533</u>	<u>49.3</u>
Profit and total comprehensive income for the year attributable to:						
Owners of the Company	23,256	44.8	118,569	45.3	204,091	46.4
Non-controlling interests	981	1.9	14,175	5.4	12,442	2.9
	<u>24,237</u>	<u>46.7</u>	<u>132,744</u>	<u>50.7</u>	<u>216,533</u>	<u>49.3</u>

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We generate revenue from self-developed mobile game products and third-party mobile games distributed on our game platforms. During the Track Record Period, substantially all of our revenue was derived from the sales of virtual tokens and private game room cards consumed in our self-developed mobile game products. For self-developed mobile game products, our revenue is recognized at a point in time when the customers obtain control of the services, being the point the customers consume the virtual tokens or the private game room cards to initiate the private game room

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function, as the case may be, to play the game products. The proceeds from the sales of virtual tokens or private game room cards, once first received, are initially recorded as deferred revenue and are recognized by referring to the quantity and fair value of virtual tokens and private game room cards being unutilized by the players at each period end. For third-party mobile games, we act as an agent, providing payment gateway for players to purchase the virtual tokens in the respective games via the purchase of and conversion from our virtual products for third-party mobile games, namely diamonds. We recognize revenue, net of the portion of proceeds to be shared with the third-party mobile game developers, at a point in time upon the conversion of our virtual diamonds to those virtual tokens or goods in the respective third-party mobile games. Our revenue continued to increase during the Track Record Period, primarily due to the increases in our game offering and the number of paying players. The significant increase in revenue from 2016 to 2017 was also due to the launch of our popular private game room function.

Revenue by Types of Virtual Products

During the Track Record Period, we offer two types of virtual products in our self-developed game products, namely (i) virtual tokens which can be used to play all of our game products and for exchanging for other virtual items in our game products, such as emojis; and (ii) private game room cards, which allow our players to initiate and pay for a game session in a virtual “game room” and then invite others to join. We launched the private game room function in 2017 which had quickly become popular among the players and contributed approximately 42.8% and 48.5% of our total revenue in 2017 and 2018, respectively.

The following table sets forth the breakdown of our revenue by our virtual products in absolute amounts and as percentage of our total revenue for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)					
Self-developed mobile games:						
Virtual tokens	51,946	100.0	149,825	57.2	199,302	45.3
Private game room cards	—	—	111,926	42.8	213,149	48.5
Third-party mobile games	—	—	—	—	27,079	6.2
Total	51,946	100.0	261,751	100.0	439,530	100.0

Due to our unified platform strategy and integrated game platforms, our players can use one single account to purchase virtual tokens and use them to play all of our game products on the same platform. Likewise, private game room cards can be used across different Mahjong game variations. Our players can access different game products through a single app. We recognize revenue when the

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virtual tokens and private game room cards are consumed. As (i) pricing of the virtual tokens is affected by the availability of free virtual token and/or discounts offered by our Group and the same virtual tokens (irrespective of their price) can be used in different game products; and (ii) the value of the virtual tokens may also depend on the games rules designed which determine the amount and speed of the consumption of such virtual tokens in each game session, it is not possible to determine the revenue contributed by each game.

During the Track Record Period, revenue derived from the virtual tokens consumed in our self-developed mobile game products continuously increased mainly as a result of our growing mobile game portfolio and expanding paying user base. In addition, revenue derived from the private game room cards increased considerably since its launch in early 2017. We believe the increase was attributable to our diligent preparation before launching, our marketing and promotional efforts along with the strategic timing for introducing such private game room function to the market. For more details, see “Business — Game Monetization — Private Game Room Cards.” We have also commenced the distribution of popular third-party mobile games and shared the proceeds derived from these games distributed on our platforms with the game developers. In the year ended December 31, 2018, revenue derived from the game distribution business amounted to RMB27.1 million, accounting for approximately 6.2% of our revenue for such year.

See “Business — Game Monetization — In-game Consumption” in this prospectus for relevant data indicating the relative importance of our major game products to us.

Cost of Sales

Our cost of sales primarily includes (i) employee benefit expenses; (ii) commissions and fees charged by third-party game distribution channels and payment vendors; (iii) server-related and technical support fees; and (iv) depreciation and amortization.

Our cost of sales increased during the Track Record Period as our business continued to grow, which was attributable to the increase in the number of our game variations covering more locations in China, the increase in the number of registered and paying players, the constant enhancement of our in-game functions and features. In particular, due to the establishment of Jilin Yuke which primarily engages in the operation of our newly launched private game room function, our overall employee benefit expenses and commissions paid to third-party distribution channels and payment vendors increased.

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The following table sets forth the major components of our cost of sales in absolute amounts and as percentages of total revenue for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)					
Employee benefit expenses	2,984	5.7	22,416	8.5	41,303	9.4
Commission and fees charged by third-party game distribution channels and payment vendors	2,944	5.7	9,335	3.6	41,209	9.4
Server-related and technical support fees	2,753	5.3	17,234	6.6	17,245	3.9
Depreciation and amortization	473	0.9	2,553	1.0	3,460	0.8
Others ⁽¹⁾	161	0.3	155	0.0	91	0.0
Total cost of sales	9,315	17.9	51,693	19.7	103,308	23.5

Note:

(1) Mainly represents software evaluation and testing expenses.

Employee benefit expenses mainly include salaries, bonuses and benefits paid to our personnel directly involved in our game development and operation. Our employee benefit expenses increased during the Track Record Period primarily because we increased headcount for our operations in response to our fast growing business. In particular, we established Jilin Yuke to operate our recently launched private game room function in 2017. The number of our game development, research development and technical support teams increased from 43 in 2016 to 186 in 2017, and further increased to 266 as of December 31, 2018.

Commissions and fees charged by third-party game distribution channels and payment vendors mainly include (i) for purchases made via third-party game distribution channels, commission fees charged by our third-party game distribution channels, including cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc.'s App Store, which are calculated by applying a percentage of 50% or 60% to our sales proceeds net of a payment service fee (which typically ranges from 2.5% to 5% of the sales proceeds, except for one distribution channel whose payment service fee is levied at 25%) and (ii) for purchases made via our proprietary channel, payment handling fees charged by our third-party payment vendors, including WeChat Pay, Alipay and Union Mobile Pay, normally at 1% to 4% of the sales proceeds. We do not make any refunds to players for payments made.

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Server-related and technical support fees primarily include server rental and hosting service fee, bandwidth costs, cybersecurity fee and outsourcing and external technical support expenses. We acquired more servers and bandwidth to support our business during the Track Record Period. In addition, we incurred cybersecurity fee since March 2017 as we commenced to engage professional cybersecurity service providers to further protect our network infrastructure. From time to time, we outsourced certain specific technical and graphic design work to outside professional third parties which subject us to outsourcing and external technical support expenses. We expect the server-related and technical support fees will continue to increase as our business grows.

Depreciation and amortization primarily relates to our owned properties, servers and equipment, and the copyright of game software we procured, which we expect will continue to increase as we expand our operations and purchase more servers and other equipment for our mobile game operation business.

Other Income

The following table sets forth the components of other income in absolute amounts and as percentages of revenue for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)					
Government subsidies	—	—	580	0.2	3,755	0.9
Advertising income	—	—	—	—	691	0.2
Interest income	15	0.0	232	0.1	663	0.1
Others	26	0.1	—	—	—	—
Total other income	41	0.1	812	0.3	5,109	1.2

Government subsidies mainly represent various industry-specific subsidies obtained from local governments, such as subsidies for innovative and high-tech enterprises and subsidies for the development and launch of proprietary mobile games. Government subsidies during the Track Record Period also included returns of service charges for withholding and remitting individual income tax returns. Government subsidies are non-recurring and we may or may not obtain further government subsidies.

In 2018, we inserted certain in-game advertisement slots in our mini-programs and shared the income, typically measured by user clicks, with those mini-program platform operators, mainly WeChat.

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Foreign Exchange Gains (Losses), Net

Foreign exchange gains/losses mainly relate to the payments by a limited number of players making purchases in foreign currencies through Apple Pay. Substantially all of our paying players are located in China and made purchases in RMB.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of (i) advertising expenses; (ii) player in-game promotion expenses, (iii) employee benefit expenses; and (iv) SMS service charges in connection with SMS notifications for user verification and other services.

The following table sets forth the key components of our selling and marketing expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)					
Advertising expenses	1,797	3.5	10,266	3.9	26,758	6.1
Player in-game promotion expenses	6,397	12.3	21,933	8.4	11,764	2.7
Employee benefit expenses	573	1.1	6,299	2.4	7,620	1.7
SMS service charges	23	0.0	390	0.2	504	0.1
Total selling and marketing expenses .	8,790	16.9	38,888	14.9	46,646	10.6

We incurred advertising expenses during the Track Record Period primarily with respect to TV advertisement placements and advertisements on popular websites and mobile apps. Subject to the needs of our new game launch and promotion, we placed advertisements on an as-needed basis to supplement our own offline marketing efforts. In particular, we started placing advertisements with popular social media platforms since the second half of 2017 and sponsored game tournaments through cooperation with local TV programs in early 2018. Moreover, the increase in advertising expenses in 2018 from 2017 was also attributable to our enhanced offline marketing efforts.

We provide incentives to encourage players to continue playing our game products. From time to time, we release in-game missions or events to grant players opportunities to win comeback bonuses after achieving a consecutive log-in for a certain period of time or certain number of cumulative in-game time/game sessions, as well as bonus virtual tokens, honorary titles and virtual vouchers upon the completion of such missions. The odds to receive such bonus items are random. After accumulating a certain number of such virtual vouchers, players may be awarded gift certificates, which can be redeemed for small real world gifts. These small real world gifts vary from time to time and have

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included WeChat red packets, mobile phone recharge cards and other small electronic devices during the Track Record Period. Our player in-game promotion expenses, which include primarily the expenses incurred for acquiring such gifts, increased significantly in 2016 and 2017, reflecting the increased efforts in attracting and retaining our players. Our player in-game promotion expenses for the year ended December 31, 2018 were less than that incurred in the comparable period in 2017 as we controlled and curtailed our marketing efforts after our player in-game promotional activities achieved a success in 2017. In particular, we ceased awarding WeChat red packets since June 2018. The cessation was due to a change in the Group's strategy in response to feedback from players who expressed preference over real world gifts of higher value compared to WeChat red packets which contained only small monetary amounts.

Selling and marketing employee benefit expenses mainly relate to salaries, bonuses and welfare for our selling and marketing staff. Our selling and marketing employee benefit expenses increased significantly in 2017 primarily due to the establishment and operation of Jilin Yuke and the resulting increase in headcount. Selling and marketing employee benefit expenses continued to increase in 2018, primarily due to the expansion of our marketing function in Xiamen where the average wage rates were relatively higher than those in other cities where we operated, such as Jilin.

SMS service charges were mainly in connection with SMS notifications for user verification and other services. Such service charges increased during the Track Record Period, which was in line with the expansion of our player base.

Partially due to our strong and precise marketing and promotional capabilities, we have been able to continue to attract new players and convert them to paying players. Please refer to "Business — Sales and Marketing" and "Business — Game Monetization" for more details about our marketing activities. Our selling and marketing expenses in absolute amounts continued to increase during the Track Record Period, while such expenses as a percentage of total revenue generally decreased from approximately 16.9%, 14.9% and 10.6% for the years ended December 31, 2016, 2017 and 2018, respectively, primarily due to the remarkable revenue growth which outpaced the increase in selling and marketing expenses over the same periods.

Administrative Expenses

Administrative expenses primarily consist of (i) employee benefit expenses for administrative staff; (ii) office rental, utilities and property management expenses; (iii) office allowances, travelling, transportation and entertainment expenses incurred by general and administrative personnel; (iv) auditor's remuneration for our PRC statutory audits; (v) other professional service fees in connection with consulting services we engaged for legal compliance, finance and other related matters; (vi) property tax, certain social security payments, stamp duty and other surcharges; (vii) tax late payment interest; and (viii) other administrative expenses.

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The following table sets forth the key components of our administrative expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)					
Employee benefit expenses	902	1.7	6,034	2.3	11,245	2.6
Office rental, utilities and property management expenses	736	1.4	2,553	1.0	3,678	0.8
Office allowance, travelling, transportation and entertainment expenses	709	1.4	4,028	1.5	5,908	1.3
Auditor's remuneration	8	0.0	166	0.1	328	0.1
Other professional service fees	121	0.2	1,099	0.4	2,253	0.5
Tax late payment interest	485	0.9	1,323	0.5	627	0.1
Property tax, certain social security payments, stamp duty and other surcharges	601	1.2	637	0.2	417	0.1
Others ⁽¹⁾	265	0.6	1,271	0.5	1,596	0.4
Total administrative expenses	3,827	7.4	17,111	6.5	26,052	5.9

Note:

(1) Includes recruiting expense, bank charges and other miscellaneous administrative expenses.

Administrative employee benefit expenses mainly relate to salaries, bonuses and welfare for our general and administrative staff. Our administrative employee benefit expenses continued to increase during the Track Record Period, which was in line with our business expansion. In particular, we increased headcount in response to our quick expansion in 2016 and the commencement of operation of Jilin Yuke in 2017, respectively.

Both rental, utilities and property management expenses, and office allowance and travel and entertainment expenses increased during the Track Record Period, each a result of our business growth, in particular the commencement of operation of Jilin Yuke in 2017.

Auditor's remuneration mainly represented the payments we made for our PRC statutory audits. We incurred other professional service fees which were mainly relating to consulting services we engaged for legal compliance, finance and other related matters.

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We incurred late payment interest over the shortfall in enterprise income tax and value-added tax payable by the Group during the Track Record Period which was subsequently paid in full after the relevant periods.

Income Tax Expenses

Income tax expenses primarily represent the income tax with respect to the income of our subsidiaries in the PRC.

Entities located in the PRC are subject to a statutory income tax rate of 25.0%. During the Track Record Period, Jiayang Interactive qualified as a “Double Soft Enterprise” in 2016 and is exempt from the corporate income tax for two years, followed by a 50% reduction from the statutory income tax rate for the next three years if the criteria of Double Soft Enterprise are met each year. As such, the corporate income tax rate applicable to Jiayang Interactive was nil, nil and 12.5% for the years ended December 31, 2016, 2017 and 2018, respectively. In addition, Jilin Xinze and Jilin Yuke qualified as a “High and New Technology Enterprise” in April 2017 and September 2018, respectively. As such, Jilin Xinze is entitled to a preferential income tax rate at 15% for a period of three years from January 1, 2017. For the year ended December 31, 2016, however, we applied the tax rate of 25% to accrue for the corporate income tax of Jilin Xinze. Similarly, Jilin Yuke is entitled to a preferential income tax rate at 15% for a period of three years from January 1, 2018 and we applied the tax rate of 25% to accrue for the corporate income tax of Jilin Yuke for the years ended December 31, 2016 and 2017. As a result of the preferential tax treatments, we saved income tax in the amount of RMB2.9 million, RMB18.4 million and RMB21.2 million, respectively, for the three years ended December 31, 2016, 2017 and 2018, representing 12.1%, 13.8% and 9.8% of our net profit for the corresponding periods, respectively.

Our Hong Kong subsidiary is subject to a statutory tax rate of 16.5%.

The effective tax rate for our Group, calculated as the income tax expenses divided by the profit before income in the relevant period, was 19.5%, 14.2% and 14.5% in 2016, 2017 and 2018, respectively.

As of the date of this prospectus, we have not received any notice of administrative investigation or penalties from the relevant tax authorities.

Non-controlling Interests

Throughout the Track Record Period, the non-controlling interests of our Company included the 8% equity interest in Jixiang Interactive indirectly held by Mr. Guo. In addition, in 2017, the non-controlling interests of our Company also included the 2%, 5% and 5% equity interest in Jilin Yuke held by Online Tuyou, an independent third party, Mr. Ding and Mr. Men, respectively, which were acquired by Jiayang Interactive in December 2017 as a part of our Reorganization, as well as the 11.36% equity interest in Changchun Xinkele (which holds 88% equity interest in Jilin Yuke) held by Mr. Zhu Huaming.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 67.9% from RMB261.8 million for the year ended December 31, 2017 to RMB439.5 million for the year ended December 31, 2018, which was primarily due to (i) the general growth of our mobile game operation business; (ii) the growth of the number of paying players from approximately 3,128,500 in 2017 to approximately 3,226,200 in 2018 due to the expanding game portfolio and increasing brand name; and (iii) the release of our private game room function from March 2017 which quickly gained popularity among our players.

The increase in revenue from 2017 to 2018 was also partially attributable to our game distribution operation which commenced in August 2018. Revenue contribution of our game distribution operation amounted to RMB27.1 million in 2018, accounting for approximately 6.2% of total revenue for the year ended December 31, 2018.

Cost of Sales

Cost of sales increased by approximately 99.8% from RMB51.7 million for the year ended December 31, 2017 to RMB103.3 million for the year ended December 31, 2018. This was primarily due to the overall growth of our business. More specifically, the increase in cost of sales was primarily due to (i) a RMB31.9 million increase in commissions and fees paid to third-party distribution channels and payment vendors in line with our rapid business growth and also due to our increased use of third-party distribution channels to distribute our games; and (ii) a RMB18.9 million increase in employee benefit expenses mainly due to the expansion of our game development, research development and technical support teams from 186 in 2017 to 266 in 2018 to support our rapid growth, which was also partially attributable to the operations of our private game room function which only commenced since March 2017.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 60.1% from RMB210.1 million for the year ended December 31, 2017 to RMB336.2 million for the year ended December 31, 2018. The increase was primarily due to the continuous strong growth of our game development and operation business. Our gross profit margin decreased from 80.3% for the year ended December 31, 2017 to 76.5% for the year ended December 31, 2018 primarily due to the increased use of third-party distribution channels to distribute our games resulting in higher commissions paid.

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Other Income

Other income increased by approximately 529.2% from RMB0.8 million for the year ended December 31, 2017 to RMB5.1 million for the year ended December 31, 2018, primarily due to an increase of RMB3.2 million in government subsidies in connection with industry-specific subsidies obtained from local governments. The increase was also partially due to the advertising income of RMB0.7 million recognized in 2018 as we inserted certain in-game advertisement slots in our mini-programs and shared the income, typically measured by user clicks, with those mini-program platform operators, mainly WeChat.

Foreign Exchange Losses/Gains, Net

Foreign exchange losses/gains, net mainly relate to the payments by a limited number of players making purchases in foreign currencies through Apple Pay. Foreign exchange losses incurred in 2017 were primarily due to the prolonged depreciation of Renminbi against U.S. dollars over this period. Foreign exchange gains recorded in 2018 was mainly due to the fluctuation of foreign exchange rate of Renminbi against U.S. dollars, and to a lesser extent, the increasing use of Apple Inc.'s App Store by our players, despite the removal of a number of apps from Apple Inc.'s App Store in the third quarter of 2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately 19.9% from RMB38.9 million for the year ended December 31, 2017 to RMB46.6 million for the year ended December 31, 2018. The increase was primarily due to a RMB16.5 million increase in advertising expenses resulting from our enhanced marketing efforts to acquire and retain players such as placing advertisements with popular social media platforms, including in HTML5 and other mini programs, and sponsoring game tournaments through cooperation with local TV programs, as well as our enhanced offline marketing efforts. The increase was partially offset by a decrease of RMB10.2 million in player in-game promotion expenses as we adjusted our marketing strategy to focus more on advertisements, and gradually curtailed our marketing efforts by awarding gift certificates which can be redeemed for small real world gifts since early 2018 and ceasing to award WeChat red packets since June 2018.

Administrative Expenses

Our administrative expenses increased by approximately 52.3% from RMB17.1 million for the year ended December 31, 2017 to RMB26.1 million for the year ended December 31, 2018. The increase was primarily due to an increase of RMB5.2 million in administrative employee benefit expenses as a result of the increase in the number of our general and administrative staff, an increase of RMB1.2 million in other professional service fees in connection with various consulting services we engaged, as well as the overall increases in office rental, utilities and property management expenses, office allowance, travelling, transportation and entertainment expenses, each a result of our business growth in 2018.

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Listing Expenses

In preparation of this Global Offering, we incurred approximately RMB15.7 million of listing expenses for the year ended December 31, 2018.

Profit Before Income Tax

Our profit before income tax increased by approximately 63.7% from RMB154.7 million in 2017 to RMB253.1 million in 2018. Our profit before income tax as a percentage of total revenue decreased from 59.1% in 2017 to 57.6% in 2018, primarily due to our significant business growth which resulted in the increases in costs and expenses, in particular, employee benefit expenses, advertising costs as well as commissions and fees paid to third-party game distribution channels and payment vendors.

Income Tax Expenses

Income tax expenses increased by approximately 66.9% from RMB21.9 million in 2017 to RMB36.6 million in 2018, primarily due to the remarkable increase in taxable profits generated in 2018. Our effective tax rate was 14.2% and 14.5% for the years ended December 31, 2017 and 2018, respectively.

Profit and Total Comprehensive Income for the Year

Our profit and total comprehensive income for the year increased by approximately 63.1% from RMB132.7 million for the year ended December 31, 2017 to RMB216.5 million for the year ended December 31, 2018. Our profit margin was 50.7% and 49.3% for the years ended December 31, 2017 and 2018, respectively. The slight decrease in profit margin was primarily due to our significant business growth which resulted in the increases in costs and expenses, and the relatively low income tax expense incurred in 2017. Due to those non-controlling interests in Jiexiang Interactive, and in relation to the year ended December 31, 2017, also in Jilin Yuke, profit and total comprehensive income attributable to owners of the Company increased by approximately 72.1% from RMB118.6 million for the year ended December 31, 2017 to RMB204.1 million for the year ended December 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 403.9% from RMB51.9 million in 2016 to RMB261.8 million in 2017, which was primarily due to (i) the general growth of our mobile game operation business as a result of the increase in number of game products from 74 in 2016 to 243 in 2017; (ii) the growth of the number of paying players from 878,834 in 2016 to 3,128,514 in 2017 due to the expanding game portfolio and increasing brand name; and (iii) the release of our private game room function from March 2017 which quickly gained popularity among our players.

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Cost of Sales

Cost of sales increased by 454.9% from RMB9.3 million in 2016 to RMB51.7 million in 2017. This was primarily due to the overall growth of our business, in particular the commencement of the private game room function. The increase in cost of sales was due to (i) a RMB19.4 million increase in employee benefit expenses as we expanded our game development and operation team in 2017 to support our rapid growth; (ii) a RMB14.5 million increase in server-related and technical support fees, which included the occurrence of RMB11.5 million of cybersecurity fee since March 2017 as we started to engage professional cybersecurity service providers to further protect our network infrastructure; and (iii) a RMB6.4 million increase in commissions and fees charged by third-party game distribution channels and payment vendors, which was in line with the increase in payments by our players as we continued to grow.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 392.7% from RMB42.6 million in 2016 to RMB210.1 million in 2017. The increase was primarily due to the continuous strong growth of our game development and operation business in 2017. Our gross profit margin decreased from 82.1% in 2016 to 80.3% in 2017 primarily due to the increase in employee benefit expenses as we expanded our game development and operation team in 2017.

Other Income

Other income increased from RMB41,000 in 2016 to RMB0.8 million in 2017, primarily due to the government subsidies received in the amount of RMB0.6 million in 2017 and an increase of RMB0.2 million in interest income on our bank deposits.

Foreign Exchange Gain (Losses), Net

Foreign exchange gain (losses), net mainly relate to the payments by a limited number of players making purchases in foreign currencies through Apple Pay. The foreign exchange losses in 2017 were primarily due to the prolonged depreciation of Renminbi against U.S. dollars over this period.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 342.4% from RMB8.8 million in 2016 to RMB38.9 million in 2017. The increase was primarily due to (i) a RMB15.5 million increase in player in-game promotion expenses primarily because we significantly enhanced marketing efforts through the award of small real world gifts, including WeChat red packets and other small electronic devices in our game products in 2017, (ii) a RMB8.5 million increase in advertising expenses as we enhanced our marketing efforts to promote our brand names and mobile games by placing TV advertisements

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and advertisements on popular websites and mobile apps, which also included the outsourced advertising service fees incurred by the newly established Jilin Yuke for its offline promotion activities; (iii) a RMB5.7 million increase in employee benefit expenses as we increased headcount of marketing personnel, which also included the marketing and customer services staff recruited by the newly established Jilin Yuke; and (iv) a RMB0.4 million increase in SMS service charges, primarily in line with the expansion of our player base.

Administrative Expenses

Our administrative expenses increased by 347.1% from RMB3.8 million in 2016 to RMB17.1 million in 2017. The increase was primarily due to (i) a RMB5.1 million in administrative employee benefit expenses as a result of the increase in the number of our general and administrative staff, (ii) a RMB3.3 million increase in office allowance, travelling, transportation and entertainment expenses; and (iii) a RMB1.8 million increase in office rental, utilities and property management expenses, each a result of our overall business growth during such period. In addition, the increase was also attributable to an increase of approximately RMB1.0 million in other professional service fees which mainly related to the consulting services we engaged for legal compliance, finance and other related matters as well as a RMB0.8 million increase in tax late payment interest.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by 413.8% from RMB30.1 million in 2016 to RMB154.7 million in 2017, and our profit before income tax as a percentage of total revenue increased from 58.0% in 2016 to 59.1% in 2017.

Income Tax Expenses

Income tax expenses increased by 273.9% from RMB5.9 million in 2016 to RMB21.9 million in 2017, primarily due to the increase in taxable profits generated in 2017. Our effective tax rate was 19.5% and 14.2% in 2016 and 2017, respectively. The decrease was primarily because Jilin Xinze qualified as a “High and New Technology Enterprise” and is entitled to a preferential income tax rate at 15% for three years from January 1, 2017.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by 447.7% from RMB24.2 million in 2016 to RMB132.7 million in 2017. Our profit margin was 46.7% in 2016 and 50.7% in 2017, respectively. Due to those non-controlling interests in Jiexiang Interactive and Jilin Yuke which was established in March 2017, profit and total comprehensive income attributable to owners of the Company increased by 409.8% from RMB23.3 million to RMB118.6 million over the same period.

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LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

We have financed our operations primarily through cash generated from our operating activities. As of December 31, 2016, 2017 and 2018, we had cash and cash equivalents of RMB22.6 million, RMB151.0 million and RMB218.2 million, respectively, substantially all of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash at bank and in hand.

Taking into account cash generated from operating activities, the conditional special interim dividend in respect of the year ended December 31, 2018 of RMB177.0 million declared on June 5, 2019 which is expected to be distributed after Listing and the net proceeds we expect to receive from this Global Offering, our Directors are of the opinion that we will have available sufficient working capital for our operations at least for the 12 months following the date of this prospectus. We currently do not expect any significant changes in the mix and the relative costs of our capital resources. See “— Net Current Assets” and “— Dividends And Dividend Policy” below.

Cash Flows Analysis

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

	Year Ended December 31,		
	2016	2017	2018
	(In RMB thousands)		
Net cash generated from operating activities	28,040	180,806	209,570
Net cash used in investing activities	(6,522)	(17,291)	(3,443)
Net cash used in financing activities	—	(35,122)	(138,916)
Net increase in cash and cash equivalents	21,518	128,393	67,211
Cash and cash equivalents at the beginning of the year/period . .	<u>1,073</u>	<u>22,591</u>	<u>150,984</u>
Cash and cash equivalents at the end of the year/period	<u>22,591</u>	<u>150,984</u>	<u>218,195</u>

Operating Activities

Net cash generated from operating activities in the year ended December 31, 2018 was RMB209.6 million, which primarily consisted of profit before tax of RMB253.1 million, adjusted for certain non-cash items of depreciation and interest income of RMB3.0 million. Additional factors that affected our cash generated from operating activities included a RMB24.9 million decrease in amounts due from shareholders, an increase in trade and other payables of RMB5.1 million in line with our

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business growth, and an increase in deferred revenue of RMB3.0 million due to the increase in the sales of our virtual tokens and private game room cards as our business continued to grow, partially offset by income tax paid of RMB36.8 million, a RMB23.0 million increase in rental and other deposits, prepayment and other receivables mainly in connection with prepayments for professional fees for this Global Offering and increased rental prepayments for our expanded office spaces to support our business growth, an increase in trade receivables of RMB12.7 million primarily due to the addition of third-party game distribution channels we utilized which was in line with our business growth, and a RMB7.1 million decrease in amounts due to shareholders.

Net cash generated from operating activities in 2017 was RMB180.8 million, which primarily consisted of profit before tax of RMB154.7 million, adjusted for certain non-cash items of depreciation and interest income of RMB2.3 million. Additional factors that affected our cash generated from operating activities included a RMB31.2 million increase in deferred revenue primarily due to our business growth, in particular the launch of our private game room cards, an increase of RMB25.7 million in trade and other payables which was in line with our business growth, partially offset by income tax paid of RMB21.4 million, an increase in trade receivables of RMB7.4 million, primarily due to the overall business growth, in particular the commencement of operation of Jilin Yuke, an increase in amounts due from shareholders of RMB5.0 million in connection with the increasing payments by our players collected by our Founders' personal bank accounts, and an increase of RMB4.2 million in rental and other deposits, prepayment and other receivables primarily as a result of our business growth.

Net cash generated from operating activities in 2016 was RMB28.0 million, which primarily consisted of profit before tax of RMB30.1 million, adjusted for certain non-cash items of depreciation and interest income of RMB0.5 million. Additional factors that affected our cash generated from operating activities included an increase in amount due to Weile Xingkong of RMB4.0 million in connection with the acquisition of the copyright of its game software, an increase of RMB3.4 million in deferred revenue due to the operation of Jiexiang Interactive and the increase in the sales of our virtual tokens, a decrease of RMB2.5 million in rental and other deposits, prepayment and other receivables, partially offset by an increase in amounts due from shareholders of RMB9.9 million in connection with the increasing payments made by our players collected by our Founders' personal bank accounts, an increase in trade receivables of RMB2.1 million due to the commencement of operation of Jiexiang Interactive and the addition of third-party game distribution channels we utilized which was in line with our business growth and income tax paid of RMB1.4 million.

Investing Activities

Net cash used in investing activities in the year ended December 31, 2018 was RMB3.4 million, which primarily consisted of purchases of intangible assets of RMB4.1 million which mainly included the payable balance of RMB4.0 million in connection with the purchase of copyright of game software from Weile Xingkong, purchases of property, plant and equipment of RMB3.0 million, and an unsecured, interest-free housing loan of RMB1.9 million with a term of three years which we extended to our art director in December 2018 for his personal funding needs, partially offset by repayments from shareholders of RMB6.6 million.

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Net cash used in investing activities was RMB17.3 million in 2017, which primarily consisted of advances to shareholders of RMB39.4 million, purchases of property, plant and equipment of RMB4.5 million, and purchase of intangible assets of RMB1.3 million, partially offset by repayments from shareholders of RMB27.6 million.

Net cash used in investing activities was RMB6.5 million in 2016, which primarily consisted of purchases of property, plant and equipment of RMB4.3 million and advances to shareholders of RMB1.7 million.

Financing Activities

Net cash used in financing activities in the year ended December 31, 2018 was RMB138.9 million, which primarily consisted of special dividends paid in the amount of RMB129.0 million.

Net cash used in financing activities was RMB35.1 million in 2017, which primarily consisted of dividends paid of RMB36.4 million, partially offset by advances from shareholders of RMB1.3 million.

Net cash generated from financing activities was nil in 2016, as the advances from shareholders was offset by the same amount of repayments within this year.

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NET CURRENT ASSETS

As of December 31, 2016, 2017 and 2018, we recorded net current assets of RMB30.5 million, RMB109.4 million and RMB195.5 million, respectively. Our net current assets as of April 30, 2019 was RMB260.4 million.

	As of December 31,			As of
	2016	2017	2018	April 30, 2019
	(In RMB thousands)			(unaudited)
Current Assets				
Trade receivables	2,234	9,674	22,387	18,451
Prepayments and other receivables	7,732	11,764	38,878	43,304
Amounts due from shareholders	22,401	29,420	—	—
Cash and cash equivalents	22,591	150,984	218,195	286,864
Tax recoverables	—	—	—	80
Total current assets	<u>54,958</u>	<u>201,842</u>	<u>279,460</u>	<u>348,699</u>
Current Liabilities				
Trade and other payables	5,531	39,451	35,530	36,577
Amounts due to shareholders	920	7,260	—	—
Amounts due to related parties	4,071	71	—	—
Deferred revenue	5,105	36,298	39,269	48,235
Tax payable	8,877	9,366	9,183	—
Lease liabilities	—	—	—	3,445
Total current liabilities	<u>24,504</u>	<u>92,446</u>	<u>83,982</u>	<u>88,257</u>
Net Current Assets	<u>30,454</u>	<u>109,396</u>	<u>195,478</u>	<u>260,442</u>

Our net current assets continued to increase during the Track Record Period, primarily due to the increases in our current assets which outpaced the increase in current liabilities, mainly resulting from the significant increase in cash and cash equivalents and in trade receivables, each as a result of our remarkable business growth. Due to the nature of our business and our strict trade receivables collection policies, all of our trade receivables as of December 31, 2016, 2017 and 2018 had ages within 60 days, which was further attributable to the increase in our cash and cash equivalents at each period end. Such continuous increases were partially offset by the increase in deferred revenue in connection with the sales proceeds which was in line with the expanding paying player base. Our net current assets continued to increase from December 31, 2018 to April 30, 2019, primarily due to the increase in cash and cash equivalents mainly resulting from our continuously growing business operation.

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Trade Receivables

Our trade receivables consist of the portion of the sales proceeds that the game distribution platforms' payment systems and payment vendors have collected from our players but not yet paid to us. During the Track Record Period, no trade receivables were past due or impaired.

We generally grant a credit term to our game distribution platforms ranging from 0 to 60 days. We do not have any collateral or other credit enhancements over our trade receivable balances.

Our trade receivables increased during the Track Record Period, which was in line with our business development and the increase in our revenue over the same period.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated, based on the invoice date.

	As of December 31,		
	2016	2017	2018
	(In RMB thousands)		
0-30 days	2,234	8,861	21,768
31-60 days	—	813	619
Total	2,234	9,674	22,387

Due to the nature of our business and our strict trade receivables collection policies, there were no overdue trade receivables during the Track Record Period, and substantially all of our trade receivables as of December 31, 2016, 2017 and 2018 had ages of less than 30 days.

As of April 30, 2019, approximately RMB22.2 million, representing 99.1% of the RMB22.4 million trade receivables that were outstanding as of December 31, 2018, was settled.

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

	Year Ended December 31,		
	2016	2017	2018
Average trade receivables turnover days ⁽¹⁾	8.4	8.3	13.3

Notes:

- (1) Average trade receivables turnover days are based on the average balance of trade receivables divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days.

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The average trade receivables turnover days slightly decreased from 8.4 days for the year ended December 31, 2016 to approximately 8.3 days for the years ended December 31, 2017, primarily because the proportion of sales proceeds settled through WeChat increased during such period, which generally had a relatively short settlement cycle of seven days. The majority of the payments for our private game room cards are made through the payment system of WeChat Pay and our settlement with WeChat Pay generally is around seven days. As such, as the proportion of revenue contribution by private game room cards increased since its release in early 2017, our trade receivables turnover days decreased accordingly.

The average trade receivables turnover days increased to approximately 13.3 days in the year ended December 31, 2018, which was primarily because the proportion of sales proceeds paid through third-party game distribution channels of all sales proceeds increased in 2018, and these third-party game distribution channels generally have a longer payment settlement cycle.

Prepayments and Other Receivables

The following table sets forth a breakdown of our prepayments and other receivables included in current and non-current assets as of the dates indicated.

	As of December 31,		
	2016	2017	2018
	(In RMB thousands)		
Prepayment for advertisement and promotion fees	5,410	6,517	21,525
Advances to employees	833	1,324	4,679
Deferred issue cost	—	—	4,548
Prepaid listing expenses	—	—	2,779
Prepayment for rental fees	230	491	1,227
Prepayment for trademark fee	—	—	1,000
Account balance on Alipay	1,170	2,183	813
Receivables for advertising income	—	—	725
Prepayment for server-related fees	40	903	595
Others	49	346	987
Total	7,732	11,764	38,878

Prepayment for advertisement and promotion fees. Prepayment for advertisement and promotion fees during the Track Record Period mainly included a prepaid promotion fee of RMB5.4 million made to a third party advertisement company in 2015 while the contemplated cooperation was aborted and we had recovered such amount in full in July 2018. The additional prepayment for advertisement and promotion fees in 2017 and 2018 included the payments we made in connection with the sponsorship of tournaments organized by the Chess and Card Division under the General Administration of Sport of China and certain local TV programs, which have not officially commenced yet. In addition,

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prepayment for advertisement and promotion fees as of December 31, 2018 mainly consisted of prepayments to advertising agencies in connection with the promotional events under the cooperation with local television channels and online media platforms. Such prepayments increased from December 31, 2017 to December 31, 2018 reflecting our increased use of advertising agencies. It was also partially due to the fact that, as opposed to previous practice, more and more advertising agencies started to charge prepayments since 2018.

Advances to employees. Advances to employees primarily represented the petty cash advances we provided to our employees for the purpose of our business operations.

Deferred issue cost. Deferred issue cost in the year ended December 31, 2018 represents the prepayments to professional parties in connection with this Global Offering which are expected to be charged to equity in future periods.

Prepaid listing expenses. Prepaid listing expenses recognized in the year ended December 31, 2018 represents the prepayments made by us to professional parties in connection with this Global Offering which will be expensed or capitalized in future periods.

Prepayment for rental fees. Prepayment for rental fees primarily represented the lease prepayments we made for our office spaces. Prepayment for rental fees increased during the Track Record Period as we expanded the leased areas to support our growing business.

Prepayment for trademark fee. Prepayment for trademark fee represented the prepayment we made to a third party to acquire a registered trademark in the PRC.

Account balance on Alipay. Account balance on Alipay represents sales proceeds paid by our players to us through Alipay which have been settled but yet transferred from our Alipay account to our bank accounts.

Receivables for advertising income. Receivables for advertising income represented the amount to be settled with us by the mini-program platform operators, mainly WeChat, in connection with the in-game advertisement slots we inserted in our mini-programs in 2018.

Prepayment for server-related fees. Prepayment for server-related fees primarily represented the prepayments we made to our cloud server service providers and internet data center providers. Prepayment for server-related fees increased significantly by the end of December 31, 2017 which was primarily due to the cybersecurity service agreement we entered into with our cloud server service provider. The agreement was amortized ratably over the contract term and the remaining value as of December 31, 2017 amounted to RMB0.9 million. Prepayment for server-related fees decreased as of December 31, 2018, along with the amortization of the agreement.

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Trade and Other Payables

The following table sets forth a breakdown of our trade and other payables as of the dates indicated.

	As of December 31,		
	2016	2017	2018
	(In RMB thousands)		
Trade payables	31	228	—
Salary and staff welfare payables	1,437	10,635	18,242
Accrued promotion expense	986	7,649	4,883
Payable to game developers	—	—	4,762
Other taxes payables	2,597	4,814	4,085
Accrued listing expenses and issue cost	—	—	824
Accrued advertisement expense	253	6,029	600
Game platform acquisition payable	—	4,000	—
Consideration payable to non-controlling interest	—	4,196	—
Others	227	1,900	2,134
Total	5,531	39,451	35,530

Trade payables. Trade payables mainly represent payments relating to our server-related services, including cybersecurity services, that are due but not yet paid at the period end. We did not have significant amounts of trade payables during the Track Record Period.

Salary and staff welfare payables. Salary and staff welfare payables represent the employee compensation and benefit accrued but unpaid at the period end. The amount of salary and staff welfare payables increased during the Track Record Period primarily because the number of our employees increased significantly.

Accrued promotion expense. Accrued promotion expense represents the WeChat red packets previously paid by Weile Xingkong on behalf of us, which had been settled in the first half of 2018.

Payable to game developers. We commenced the distribution of third-party mobile games and payable to game developers represented the amount to be shared with the third-party mobile game developers in pre-agreed proportion after deducting certain expenses incurred by us.

Other taxes payables. Other taxes payables primarily include the accrued business tax for our revenue which increased significantly during the Track Record Period. Other taxes payables also included city construction tax and education surcharges.

Accrued listing expenses and issue cost. Accrued listing expenses and issue cost represent accrued fees payable to professional parties in connection with this Global Offering.

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Accrued advertisement expense. Accrued advertisement expense represents the unpaid service fees to a third party advertising agency in connection with our player in-game promotional activities. Accrued advertisement expense decreased from December 31, 2017 to December 31, 2018 primarily because as opposed to previous practice, more and more advertising agencies started to charge prepayments since 2018.

Game platform acquisition payable. Game platform acquisition payable represents the outstanding amount with respect to the copyright of game software of Weile Xingkong acquired by Jiaxiang Interactive in 2016. The total consideration for the acquisition is RMB4.6 million and the remaining RMB4.0 million had been fully settled in June 2018.

Consideration payable to non-controlling interest. In December 2017, Jiaxiang Interactive acquired 100% of the equity interest in Jilin Yuke from Changchun Xinkele, Mr. Ding, Mr. Men and Online Tuyou as part of our Reorganization. Among others, the consideration to be paid to Online Tuyou for the acquisition of its 2% equity interest is RMB4.2 million. The payment had been settled in March 2018 and the acquisition of the 2% equity interest from Online Tuyou was completed.

We are typically grant a credit term within 30 days by our suppliers. During the Track Record Period, all of our trade payables had an age within 30 days.

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

	Year Ended December 31,		
	2016	2017	2018
Average trade payables turnover days ⁽¹⁾	0.6	0.9	0.4

Notes:

(1) Average trade payables turnover days are based on the average balance of trade payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days.

Our trade payable turnover days was 0.6 days in 2016 and remained relatively stable at 0.9 days in 2017, which slightly decreased to 0.4 days for the year ended December 31, 2018 which was primarily due to the settlement of all the outstanding trade payables by the end of 2018.

Amounts Due from Shareholders

Amounts due from Shareholders during the Track Record Period mainly consisted of payments collected by using our Founders' personal bank accounts to settle the sales proceeds collected through Alipay and other payment systems. While we were at an early stage of development and had not established tight internal control policies, historically during the pilot connection test with some of our third party payment vendors, our Founders initially utilized their personal bank accounts for the

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connection with the payment systems of the payment vendors and did not convert to using our Company's corporate accounts until January 2018 because generally the creation, operation and maintenance of a personal account involves fewer steps and procedures and is more efficient from the management's perspective. We used Mr. Wu's multi-currency bank account to connect with the system of Apple Store, payments through which may be in U.S. dollars as we did not have or have not opened foreign currency bank accounts. We used Mr. Su's UnionPay account to connect. For certain other payment systems, we used Mr. Jiang's bank accounts to establish the connection for payments through Apple Store, Alipay and certain other payment systems. These personal bank accounts, once used by us, had been controlled by our designated personnel in our finance department.

For the three years ended December 31, 2016, 2017 and 2018, the amounts of payments collected by the Founders on behalf of the Group were RMB17.2 million, RMB12.8 million and nil, respectively. Over the same period, the number of payment transactions involved during the same period were 607,651, 382,175 and nil, respectively. As part of the process for setting up the connection with each of Apple Store, Alipay and UnionPay for payments initiated in our mobile game products, a unique transaction code is generated and assigned to the relevant personal bank account which is linked to the specific payment channel for settlement purpose. Such unique transaction codes for the connection with Apple Store, Alipay and UnionPay have always been under our Company's control and the relevant Founders did not utilize the same transaction codes for their personal use. Hence, all payments made by our players through these payment channels may be traced by identifying the specific unique transaction codes from the bank statements. These personal accounts of the Founders were used for receiving payments to us arising from our mobile game products, although the Founders also used such accounts for personal purposes. Utilizing the unique transaction codes with Apple Store, Alipay and UnionPay, we have been able to identify the amounts corresponding to the proceeds in connection with our mobile game products. The fact that our Founders used these accounts for personal purposes would not cause any loss to us. We have discontinued to use any personal account from January 2018. Following the conversion to using our Company's corporate accounts in January 2018, the Founders kept the accounts for their personal use only.

We had completely ceased to use the Founders' personal bank accounts from January 2018. To enhance our internal control and ensure the integrity of our financing and accounting systems, we have implemented internal control policies which explicitly prohibit using any personal account to settle the payments for and on behalf of our Group. In case a new corporate payment account is required, the person in charge shall submit an application signed by the relevant department head to our finance department, which shall be reviewed and approved by the director of our finance department.

All amounts due from shareholders had been fully settled in the first half of 2018.

Please refer to the details about the amounts due from shareholders set forth in Note 18 to the Accountants' Report included in Appendix I to this prospectus.

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Amounts Due to Shareholders and Related Parties

Amounts due to Shareholders mainly represented the remaining balance in their personal bank accounts and accounts for Alipay and other payment systems of amounts which our Founders paid for and on behalf of the Group for the purpose of our operation and other miscellaneous payments.

For the three years ended December 31, 2016, 2017 and 2018, the amounts of payments paid by the Founders on behalf of our Group were RMB12.2 million, RMB12.8 million and nil, respectively. Over the same period, the number of transactions involved during the same period were 68, 55 and nil, respectively, being primarily payments made for the purchase of small real world gifts to incentivize our players to continue playing our game products. See “Financial Information — Description of Major Components of our Results of Operations — Selling and Marketing Expenses.”

In addition, in 2016, we recorded a RMB4.0 million due to Weile Xingkong in connection with the purchase of the copyright of game software. Weile Xingkong ceased to be a related party of us after our Founders disposed their interest in Weile Xingkong in December 2017.

In order to ensure that all the payments collected or paid by the Founders for the Group are properly accounted for and have been returned to or refunded by the Group, our finance department has performed reconciliation between the Company’s account systems, utilizing the unique transaction codes established for each of the relevant payment channels, and the transaction history of the personal accounts of the Founders. The finance department also performed reconciliation between the amounts recorded in the Founders’ personal accounts and the amounts recorded at third-party payment vendors. As for payments to suppliers via the Founders’ personal accounts, these have been reconciled with the respective invoices from suppliers. Since January 2018, we had ceased to use the Founders’ personal accounts. All amounts due to shareholders and related parties had been fully settled in the first half of 2018. Please refer to the details about the amounts due to shareholders and related parties set forth in Note 21 to the Accountants’ Report included in Appendix I to this prospectus.

As advised by our PRC Legal Advisor, the PRC Company Law (《中華人民共和國公司法》) and the Commercial Banking Law (《商業銀行法》) prohibit the opening of a bank account under an individual’s name for the purpose of depositing an entity’s asset or funds. As the personal accounts of the Founders used to receive and make payments on our behalf were pre-existing bank accounts which were also used by the Founders for personal purposes and they were not opened for the purpose of depositing our Group’s asset or funds, our PRC Legal Advisor is of the view that our Group is not in breach of any PRC laws and regulations by using the personal accounts of the Founders to receive and make payments on our behalf. As advised by our PRC Legal Advisor, the Measures for the Administration of Renminbi Bank Settlement Accounts (人民幣銀行結算賬戶管理辦法) (the “**Measures for Accounts**”) promulgated by the People’s Bank of China applies to bank settlement accounts opened by depositors with banks in China and the “depositors” therein refer to the entities and natural persons that opened settlement accounts with banks in China. Pursuant to the Measures for Accounts, a depositor shall not lease or lend his bank settlement accounts. The use of our Founders’ personal accounts to receive or to make payments on behalf of our Group do not involve bank accounts

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opened by our Group. Therefore our use of the Founders' personal accounts is not subject to the Measures for Accounts and thus does not constitute any violation thereunder. The Founders' use of their personal accounts to receive or to make payments on behalf of our Group may be regarded by the competent authorities as "leasing or lending his bank settlement accounts" under the Measures for Accounts although neither our Company nor the Founders have received notice from any competent authority in this regard. Furthermore, pursuant to the Measures for Accounts, a non-business depositor, which includes the Founders, who leases or lends his bank settlement account shall be given warning and imposed a fine of no higher than RMB1,000. As the use of personal accounts of the respective Founders have ceased since January 2018, no action has been taken against the Founders and the maximum penalties which may be imposed on the Founders under the Measures for Accounts are de minimis and the Company will not be subject to any fine, our PRC Legal Advisor is of the view that such conduct of the Founders will not have material adverse effect on our Group or the Founders.

We have adopted the following key internal control measures to avoid the recurrence of using shareholders' personal accounts for business operations:

- policies and procedures in relation to cash and treasury management had been updated and stipulate use of shareholders' personal accounts for business operations is prohibited;
- all payments and receipts transactions should be independently reviewed by authorized management from the finance department who is responsible for ensuring that shareholders' personal accounts for the Group's operations are not used; and
- the finance department would periodically perform reconciliation between the top-up amount recorded at third party payment vendors and the top-up amount deposited to our Company's bank accounts. Evidence of such reconciliation (including the review of the reconciliation by the authorized management from the finance department) should be maintained.

Deferred Revenue

Deferred revenue represents the proceeds received from our players to purchase our virtual tokens and private game room cards, for which related services had been rendered as at the relevant period end.

Our deferred revenue amounted to RMB5.1 million, RMB36.3 million and RMB39.3 million as of December 31, 2016, 2017 and 2018, respectively. The continuous increase was attributable to the increasing number of paying players due to the increasing number of our mobile game products and their popularity.

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The following table sets forth the movement of our deferred revenue in terms of types of virtual products during the Track Record Period as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(In RMB thousands)		
At the beginning of the year	1,696	5,105	36,298
Add:			
Proceeds from purchases of virtual tokens, net of tax	55,355	153,544	244,401
Proceeds from purchases of private game room cards, net of tax	—	139,400	198,100
Less:			
Revenue recognized from consumption of virtual tokens . .	51,946	149,825	226,381
Revenue recognized from consumption of private game room cards	—	111,926	213,149
At the end of the year	5,105	36,298	39,269

Tax Payables

Income tax payables continued to increase during the Track Record Period, which were the result of the rapid growth of our mobile game development and operation business.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. Moreover, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties or any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure and Commitment

Our capital expenditure mainly comprised expenditures on the purchase of office furniture and equipment, motor vehicles, leasehold improvements as well as the purchase of the copyright of game software.

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The following table sets forth our capital expenditures for the periods indicated.

	Year Ended December 31,		
	2016	2017	2018
	(In RMB thousands)		
Office furniture and equipment	580	970	1,449
Motor vehicles	—	3,525	—
Buildings and leasehold improvement	7,563	—	1,546
Computer and copyright of game software	4,600	1,287	92
Total	<u>12,743</u>	<u>5,782</u>	<u>3,087</u>

We lease servers and office buildings under non-cancellable operating lease agreements. The lease terms are between one to five years, and majority of lease agreements are renewable at the end of the lease period at prevailing market rates.

The following table sets forth our total future aggregate minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(In RMB thousands)		
Within one year	554	986	2,146
In the second to fifth years	65	300	8,581
Total	<u>619</u>	<u>1,286</u>	<u>10,727</u>

INDEBTEDNESS

Upon application of IFRS 16 since January 1, 2019, we have recognized right-of-use assets and corresponding lease liabilities in respect of all leases except for exempted low value leases and short-term leases. As of April 30, 2019, the Group, as a lessee, has outstanding lease liabilities for the relevant lease terms amounting to RMB11,372,000 in aggregate recognized on the consolidated statement of financial position.

As of April 30, 2019 being the latest practicable date for indebtedness purpose, we did not have any outstanding bank and other borrowings and other indebtedness apart from lease liabilities disclosed above. Save as disclosed herein, apart from intra-group liabilities and normal account and other payables in the ordinary course of business, our Group did not have any mortgages, charges, debentures, loan capital, debt securities, loans, banking facilities (utilized or unutilized), bank

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overdrafts or other similar indebtedness, liabilities under acceptances, acceptance credits, other recognized lease liabilities, or lease commitments, guarantees or other contingent liabilities as of April 30, 2019. Our Directors confirm that there has not been any material change in the indebtedness of our Group since April 30, 2019 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any significant contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth certain of the key financial ratios of our Group for the periods or as of the dates indicated:

	For the Year Ended/As of December 31,		
	2016	2017	2018
Current ratio (times) ⁽¹⁾	2.2	2.2	3.3
Return on equity (%) ⁽²⁾	56.6	106.0	101.8
Return on total assets (%) ⁽³⁾	36.0	61.0	73.0

Notes:

- (1) Current assets divided by current liabilities.
- (2) Profit and other comprehensive income for the year divided by total equity of the respective periods and multiplied by 100%.
- (3) Profit and other comprehensive income for the year divided by total assets of the respective periods and multiplied by 100%.

Current Ratio

Current ratio remained relatively stable at 2.2 times as of December 31, 2017 and increased to 3.3 times as of December 31, 2018. The increase was attributable to an increase in current assets resulting from an increase in our cash and cash equivalents and an increase in trade receivables, each as a result of our business growth, as well as an increase in prepayments and other receivables, mainly the prepayment for advertisement and promotion fees.

Return on Equity

Return on equity increased from 56.6% for the year ended December 31, 2016 to 106.0% for the year ended December 31, 2017 mainly resulting from our rapid growth in net profit. Return on equity slightly decreased from 106.0% for the year ended December 31, 2017 to 101.8% for the year ended December 31, 2018, primarily due to a significant increase in our net current assets mainly resulting from the increase in prepayments for advertisement and promotion fees as well as the decrease in accrued advertisement expenses.

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Return on Total Assets

Return on total assets increased from 36.0% for the year ended December 31, 2016 to 61.0% for the year ended December 31, 2017 resulting from our rapid growth in net profit. Return on total assets increased from 61.0% for the year ended December 31, 2017 to 73.0% for the year ended December 31, 2018, primarily due to the continuous increase in our net profit in 2018.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of our business, we are exposed to various market risks, including credit risk, liquidity risk and foreign exchange risk. Our risk management strategy aims to minimize the potential adverse effects of such risks on our financial performance. We have control policies in place and the exposure to these risks are monitored on an on-going basis by our senior management and Board of Directors.

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, as well as trade and other receivables. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and cash equivalents, as well as trade and other receivables, we only transact with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. No impairment is made during the Track Record Period.

Trade receivables at the end of each reporting period were due from the third party distribution platforms and third party payment vendors. If the cooperative relationships with these platforms and payment vendors are deteriorated or terminated; or if they alter the cooperative arrangements; or if they experience financial difficulties in paying us, our trade receivables might be adversely affected in terms of recoverability. To manage this risk, we maintain frequent communications with these distribution platforms and payment vendors to ensure the effective credit control are in place. In view of the history of cooperation and the sound collection history of receivables due from them, our Directors believe that the credit risk inherent in our outstanding trade receivable balances due from these distribution platforms and payment vendors is low, accordingly, no impairment is made during the Track Record Period.

For other receivables from third parties, shareholders, a related party and cash and cash equivalents, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables, accordingly, no impairment is made during the Track Record Period.

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Upon adoption of IFRS 9, we consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period regarding to the other receivables from third parties, shareholders, a related party, and cash and cash equivalents. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available. Forward-looking information considered includes debtor's credit rating and its business, financial or economic conditions which are expected to cause a significant decrease in debtor's ability to meet its obligation. The management has assessed that there has been no significant increase in credit risk since initial recognition and credit risk of default is insignificant, and therefore, no impairment has been recognised.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, our finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses our non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year
	(In RMB thousands)
As of December 31, 2016	
Trade and other payables	1,468
Amounts due to shareholders	920
Amounts due to related parties	4,071
Total	6,459
As of December 31, 2017	
Trade and other payables	19,059
Amounts due to shareholders	7,260
Amounts due to related parties	71
Total	26,390
As of December 31, 2018	
Trade and other payables	23,931
Amounts due to shareholders	—
Amounts due to related parties	—
Total	23,931

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Foreign Exchange Risk

We have certain cash and cash equivalents, trade receivables and amounts due from shareholders denominated in U.S. dollars, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to U.S. dollars. We currently do not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of our foreign currencies exposure. Foreign exchange risk arises when future commercial transactions and recognized assets are denominated in a currency that is not the entity's functional currency. Our finance department is responsible for monitoring and managing the net position in each foreign currency.

The carrying amounts of our foreign currency denominated monetary assets at the end of the reporting period are as follows.

	<u>As of December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
U.S. dollars	2,732	6,558	946

Our functional currency is Renminbi, if U.S. dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, the profit for the year/period would have been approximately RMB137,000, RMB328,000 and RMB47,000 higher/lower, for the years ended December 31, 2016, 2017 and 2018, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in U.S. dollars.

We believe the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period end exposure does not reflect the exposure during the period.

DIVIDENDS AND DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate, based on various factors such as our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, our capital requirements, future business plans and prospects and other factors that we may consider relevant. Assuming there is no material adverse events affecting these factors, we intend to adopt a stable general annual dividend policy of declaring and paying dividends of no less than 30% of our profit attributable to owners of our Company on an annual basis. We will continue to re-evaluate our dividend plan in light of our operation needs, earnings, financial condition, working capital requirements and future business plans as our Board may deem relevant at such time.

A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholder approval.

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Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

Jilin Xinze and Jilin Yuke declared interim dividends in the amount of RMB30.9 million and RMB15.3 million, respectively, to their then shareholders in 2017, of which RMB21.1 million and RMB15.3 million had been paid. Remaining RMB9.8 million was net off by the amounts due from the shareholders of Jilin Xinze.

In the first half of 2018, Jiayang Interactive, Jilin Xinze and Jilin Yuke declared dividends in the amounts of RMB74.0 million, RMB15.0 million and RMB40.0 million, respectively, all of which were in respect of financial periods ended December 31, 2017 or before and had been distributed in the first half of 2018.

In addition, on June 5, 2019 we declared a special interim dividend of RMB177.0 million in respect of the year ended December 31, 2018, which is conditional upon Listing and payable to Mr. Wu, Mr. Jiang and Mr. Su, our Founders in the proportion of 60:20:20. The special interim dividend is determined by reference to the amount of our net profits for the year ended December 31, 2018. The special interim dividend will be paid within one month after Listing and will be funded using the internal resources of the Company. Such dividend will be paid only to the Founders as agreed among all the eight shareholders of the Company at the time of the passing of the relevant resolution approving such dividend because the Founders have made the most contribution to the business and development of the Group prior to Listing and were the key persons driving and responsible for the Listing preparation.

LISTING EXPENSES

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing. The remaining listing related fees are either fully charged to profit or loss or charged to profit or loss on an apportioned basis. As of December 31, 2018, we had incurred listing expenses, including legal, professional and other fees, in connection with the Global Offering. We expect the total estimated amount of listing related fees would be approximately RMB54.9 million, of which approximately RMB15.7 million were charged to our listing expenses for the year ended December 31, 2018. We expect an additional amount of approximately RMB16.5 million to be further recognized as listing expenses for the year ending December 31, 2019 and approximately RMB22.7 million to be deducted from equity upon the Listing. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2019.

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DISTRIBUTABLE RESERVES

As of December 31, 2018, our reserves available for distribution to our members were RMB178.0 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following unaudited pro forma statement adjusted net tangible assets of our Group prepared in accordance with Rule 4.29(1) of the Listing Rules is prepared to show the effect on the net tangible assets of our Group as of December 31, 2018 as if the Global Offering had occurred on December 31, 2018 and is based on the consolidated net assets derived from the financial information of our Group as of December 31, 2018, as set out in the Accountants' Report in Appendix I to this prospectus and adjusted as follows:

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of December 31, 2018⁽¹⁾	Estimated net proceeds from the Global Offering⁽²⁾⁽⁴⁾	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share⁽³⁾⁽⁴⁾	
	RMB thousands	RMB thousands	RMB thousands	RMB⁽⁴⁾	HK\$⁽⁴⁾
Based on an Offer Price of HK\$1.35 per Offer Share	210,755	335,656	546,411	0.46	0.53
Based on an Offer Price of HK\$1.85 per Offer Share	210,755	469,565	680,320	0.58	0.66

Notes:

- (1) The consolidated net tangible assets attributable to the equity shareholders of our Company as of December 31, 2018 is compiled based on the consolidated statement of financial position included in the Accountants' Report set out in Appendix I to this prospectus, which is based on the consolidated net assets of the Group attributable to owners of the Group as of December 31, 2018 of RMB212.7 million with an adjustment for intangible assets attributable to owners of the Company amounting to RMB2.0 million as of December 31, 2018.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$1.35 and HK\$1.85 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company, without taking into account any Shares which may be issued upon the exercise of the options to be granted under the Post-IPO Share Option Scheme. The estimated net proceeds of the Global Offering have been converted to Renminbi at the People's Bank of China rate of HK\$1.00 to RMB0.8793 prevailing on June 6, 2019.

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- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 per Share is arrived at based on 1,176,724,000 Shares in issue including 862,724,000 existing ordinary Shares and 314,000,000 Offer Shares assuming that the Share sub-division was completed on May 24, 2019 and the Global Offering had been completed on December 31, 2018 and without taking into account of any shares (i) which were issued under the Share Award Scheme and may be issued under the Post-IPO Share Option Scheme; or (ii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) The unaudited pro forma adjusted net tangible assets per Share amounts in Renminbi are converted to Hong Kong dollars with the People's Bank of China rate of RMB0.8793 to HK\$1.00 prevailing on June 6, 2019.

No adjustment has been made to reflect any trading result, dividends declared or other transactions which we entered into subsequent to December 31, 2018.

The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company in the table above has not been adjusted to reflect the effect of the special interim dividend of RMB177.0 million to Mr. Wu, Mr. Jiang and Mr. Su, our Founders in the proportion of 60:20:20 within one month after the listing. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company after taking into account of such special interim dividend is set out below. The effect on per share amount is determined based on 1,176,724,000 in issue. The unaudited pro forma adjusted net tangible assets per Share amounts in Renminbi are converted to Hong Kong dollars with the People's Bank of China rate of RMB0.8793 to HK\$1.00 prevailing on June 6, 2019.

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after taking into account of the special interim dividend	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share after taking into account of the special interim dividend	
	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$1.35 per Offer Share	369,411	0.31	0.36
Based on an Offer Price of HK\$1.85 per Offer Share	503,320	0.43	0.49

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NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2018, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2018 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Our Strategies” for a detailed description of our future plans.

REASONS FOR LISTING

Our Directors believe that achieving a listing status is strategically critical to our long-term growth as it will (i) enhance our competitiveness, especially having considered that a number of our competitors in the mobile game industry in China have already been listed on the Stock Exchange; (ii) provide us with avenues to raise capital for our expansion plan; and (iii) enhance our corporate profile and brand recognition which will facilitate the implementation of our business strategies for continued growth and further business expansion. Our Directors also believe that the Listing would:

- (i) improve our Company’s ability to recruit, motivate and retain key management personnel and staff;
- (ii) enable our Company to offer an equity-based incentive program (such as the Share Award Scheme and the Post-IPO Share Option Scheme) to our employees that aligns their interests with that of our Group. We would therefore be in a better position to motivate our employees with incentive programs that are closely aligned with the objective of creating value for the Shareholders;
- (iii) further promote our brands and enhance our level of competitiveness among other competitors, thereby helping to attract larger user base and increase our market share. Game developers will also be more confident in dealing with a listed company and therefore the Listing would strengthen our business relationships with game developers; and
- (iv) increase our Group’s bargaining power in negotiating terms with potential suppliers. As a listed entity, our business partners will have more confidence in (a) our financial strength and credibility to ensure consistency in the quality of our products; (b) transparency in our operations and financial reporting; and (c) our internal control systems to regulate and monitor our operations, as we will be accountable to securities regulators and public shareholders.

As we have an asset-light business model, our non-current assets only amounted to approximately RMB17.3 million as of December 31, 2018, whereas our cost of sales and expenses (excluding listing expenses) amounted to around RMB176.0 million for the year ended December 31, 2018. As such, we do not have sufficient fixed assets available for security which is generally required to obtain banking facilities to finance our business expansion. We believe it is difficult for us to obtain debt financing from banks on commercially viable terms and we have not been able to obtain an indication of terms of loans from banks that we have approached on a preliminary basis. Furthermore, while our net cash generated from operating activities for the years ended December 31, 2017 and 2018 amounted to RMB180.8 million and RMB209.6 million, respectively, we have paid dividends in the amount of RMB36.4 million and RMB129.0 million for the year ended December 31, 2017 and

FUTURE PLANS AND USE OF PROCEEDS

2018, respectively. In respect of the year ended December 31, 2018, we have declared a special interim dividend of RMB177.0 million, which is conditional upon Listing, to be paid within one month after Listing. Going forward, we intend to adopt a stable dividend policy of declaring and paying dividends of no less than 30% of our profit attributable to owners of our Company on an annual basis. We have allocated HK\$34.2 million of the proceeds from Listing for the purpose of pursuing potential partnership with or acquisition of local small to medium-sized mobile game developers and operators. As we have not identified any specific target, we cannot determine with certainty the amounts needed to pursue this strategic objective and the acquisition costs may exceed HK\$34.2 million. We plan to fund any shortfall by utilizing our cash generated from operating activities. As such, we believe that our internally generated funds alone will not be sufficient for us to implement our expansion plans. Therefore, our Directors consider that the Listing and net proceeds from the Global Offering are necessary and crucial for strengthening our financial position and achieving our Group's business strategies as set out in the paragraph headed "Business — Our Strategies" in this prospectus.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$1.60 per Offer Share (being the mid-point of the Offer Price range stated in this Prospectus), will be approximately HK\$440.0 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds of the Global Offering for the following purposes.

- Having established our position as a leading localized mobile card and board game developer and operator in China, we intend to maintain our business strategy of focusing on localized Mahjong and poker game variations in the next three years. As part of our strategy to achieve business expansion, we plan to develop additional localized regional game variations as we believe it would allow us to attract new players and increase our user base effectively, which in turn will enhance our financial performance. We also intend to introduce more casual games to amplify our overall game portfolio and attract players with different interests. To this end, approximately HK\$107.7 million (representing approximately 24.5% of our total estimated net proceeds) is intended to be used for further expanding and developing our game portfolio. We intend to allocate:
 - approximately HK\$52.4 million to develop around 280 additional county-level Mahjong game variations, out of which about 65 different localized variations covering 26 provinces and municipalities will be developed by the end of 2019;
 - approximately HK\$25.3 million to develop around 130 new poker game variations, out of which about 15 new poker game variations will be developed by the end of 2019; and
 - approximately HK\$30.0 million to develop around 46 new casual games, out of which 5 new casual games will be developed by the end of 2019.

FUTURE PLANS AND USE OF PROCEEDS

According to the F&S Report, the online localized card and board game industry in China is expected to grow at a CAGR of 30.2% from 2019 to 2023, reaching approximately RMB31.0 billion by 2023. The player base of mobile games in China grew from 410.0 million in 2014 to 606.0 million in 2018, and is expected to further increase to 845.3 million by 2023 and the number of mobile Mahjong and poker game users is expected to grow from 287.0 million in 2019 to 368.9 million in 2023. In addition, according to the F&S Report, card and board games, which are particularly popular in tier 3 and tier 4 cities and small counties, have localized game rules for different regions. There are 31 provincial-level regions, 661 cities and 1,636 counties in China and a large number of such regions, cities and counties have their differentiated game rules and playing methods and some of the larger cities or counties have more than one game variations. This results in a large number of card and board game types and variations. As at the end of 2018, other than 453 localized Mahjong game products and 31 poker game products developed by us, there were more than 2,960 localized Mahjong game products and more than 1,400 poker game products in the localized card and board games market, which were based on over 600 Mahjong game variations and over 130 poker game variations that have been developed in China according to the F&S Report. While these game products, in particular Mahjong game products, compete with our existing game portfolio and may compete with game variations that we may develop in the future, the large number of differentiated game rules and playing methods allows abundant opportunities for our Group to develop new mobile card and board game variations to increase our market share by attracting a broader player base. We conducted market research to assess the potential of the new localized game variations to be developed. Our market research covers the target market size and level of competition of provinces where we expect to launch our new localized game variations. We also assess the current performance of our existing game variations in those provinces. We believe that the development of these new Mahjong and poker game variations will allow us to capitalize on the emerging opportunities presented by the growing online localized card and board game market. In particular, developing new Mahjong game variations with local and regional rules and slang terms will suit players of different origins and geographic locations, thus allowing our reach to penetrate further into municipalities and counties that are not covered by us at present. Similarly, different poker game variations appeal to players with different preferences. Increasing the number of game variations or game products can enlarge our player base and increase our market share. Our market share in terms of revenue was only 5.1% in 2018 according to the F&S Report. Therefore, there is significant room for increasing our market share.

As the game variations in the pipeline are still being developed and whether these game variations will be considered as new work products under the Circular will involve an analysis on various details of the game variations such as the names, plots, tasks, maps, personalities of characters, and so on. As such, our Company and our PRC Legal Advisor cannot determine with certainty at this stage the number of game variations that require approval pursuant to the Circular. However, as advised by our PRC Legal Advisor, on the basis that the new game variations will be in the same categories as, and developed based

FUTURE PLANS AND USE OF PROCEEDS

on, those covered by our pre-approved game registrations, and the new game variations will not involve changes or upgrading works stipulated in the Circular which would be categorized as new work products, further approval prior to launching the new game variations will not be required. It is noted that as at the Latest Practicable Date, we have obtained pre-approval for a total of 42 Mahjong, 13 poker and 2 casual game registrations from the SAPPRT, for which games have not yet been launched. Furthermore, based on (i) the fact that out of the current 508 game products of our Company, only 83 pre-approved registrations are required and (ii) the suspension of the pre-approval of domestic online games has been lifted as indicated by information released on the website of the SAPPRT, our Company is of the view that the obtaining of necessary approval from SAPPRT will not be a hurdle for the launch of our Company's proposed game variations in the pipeline.

As of December 31, 2018, we had 67 employees for research and development and 139 employees for game development. These employees will focus on the maintenance and promotion of the existing 508 game products. While our game products do not require frequent updates due to their board and card game nature, it is important that we take actions to keep the game products interesting to their existing players and attract new players. These actions include regular monitoring of the games in terms of fixing bugs and reflecting feedback of players in modifying game rules or slang terms. Furthermore, in order to enhance players' stickiness and promote in-game purchases, it is important to design and introduce in-game missions to arouse the interests of players to continue playing our games. These in-game missions can take the form of competition and ranking among all players of a game product within a time period, various tournaments among players and prompts for in-game purchases especially daily promotions or promotions of special virtual items packages. As the Mahjong and poker game products are classic long life-cycle products, it is important that our Group distinguishes our products with that of our competitors by designing more innovative and attractive in-game missions. Moreover, we need to carry out regular data analysis to check the effectiveness of the in-game missions and any modifications made to the game products.

Also we adopt a unified platform strategy to aggregate our game products which are currently offered on our two integrated game platforms. Our existing employees are utilized for the maintenance and technical support for our two integrated game platforms and for the system integration of the two platforms.

We will recruit around 196 experienced game developers and engineers for the development of new game products and purchase additional hardware and software including desktop computers, system software and programming software. Please refer to the section headed "Implementation Plans" in this section for further details.

Out of the 196 potential new recruitments, we plan to hire 84 game developers and engineers with tertiary degree (大學專科) and three to four years of relevant working experience. For the remaining 112 game developers and engineers, we plan to hire those with a minimum of one and a half years of relevant working experience to assist in

FUTURE PLANS AND USE OF PROCEEDS

development of our game portfolio. We plan to develop around 65 Mahjong and 15 poker game variations by the end of 2019. For the development of each Mahjong and poker game variation, we generally require a team of 6 to carry out different work streams from research and field study, designing, programming and coding to testing, modification and ongoing support and maintenance. Assuming the development cycle of each new game variation is around 1.5 months, we estimate that each team will be able to develop 4 game variations every six months. Therefore, we would require around 17 teams (i.e. around 102 employees) to complete the development of around 65 Mahjong game variations and 4 teams (i.e. around 24 employees) to complete the development of around 15 poker game variations by the end of 2019. The new employees hired in 2019 will be responsible for maintaining the new game variations developed as well as the development of new game products after 2019. The net proceeds will be used to pay the development cost incurred by the new employees hired based on the number of new game products developed and the remaining part of staff cost incurred for maintaining the game products developed will be paid by internal resources of the Company. The number of potential new recruitments beyond 2019 are estimated based on the number of new game products that we plan to develop and may be adjusted according to the capacity of our employees and the actual pace of the development of our game products. For the development of causal games, we normally have a team of 6 to develop a new game. However, due to the complexity of graphic design and new programming and coding of each new game, the development cycle of each new game is around 4.5 months, which is 3 times more than the development of Mahjong and poker game variations. We require around 4 teams (i.e. around 24 employees) to complete the development of around 5 games by the end of 2019.

- Approximately HK\$127.9 million (representing approximately 29.1% of our total estimated net proceeds) is intended to be used for introducing and enhancing game features or functions and for improving our technology infrastructure. According to the F&S report, a market trend of China's online card and board game platform is the introduction of speech and video function to enhance the in-game socializing experience of players. We believe that the development of new features such as enhanced in-game video function and an improved backend system will allow us to provide better game experience for our users, maintain our competitiveness which in turn will improve usage and paying rates. We intend to allocate:
 - approximately HK\$48.1 million to develop HTML5 versions and other potential mini-programs for most of our existing game products. HTML5 versions of existing game products offer players an alternative way to access our game products without the need to download additional app for the game products before playing. We believe that providing different options to access our game products would increase our customer base and allow us to capture customers with different preferences and take advantage of sizable user base by connecting to various large social platforms, such as WeChat;
 - approximately HK\$22.4 million to improve the user interface, such as the design and graphics of our game products;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$23.0 million to improve our backend system, for example to accommodate more players on our platforms and to achieve even faster matching of players;
- approximately HK\$20.0 million to develop new features of our game products, more importantly enhanced in-game live video function for players in our private virtual game rooms and live audio function for customer service; and
- approximately HK\$14.4 million on our cybersecurity needs. Currently, our cybersecurity is mainly carried out by outsourced third parties. We plan to recruit 5 engineers to monitor and safeguard our network infrastructure. We believe that having our employees carrying out the cybersecurity function will enable us to have better control of the process and increase efficiency in identifying and tackling cybersecurity related problems.

We will recruit around 110 experienced game developers and engineers and purchase additional hardware and software. Please refer to the section headed “Implementation Plans” in this section for further details.

The table below sets out the positions and experience of the 110 game developers and engineers we plan to hire by December 31, 2022 for introducing and enhancing game features or functions and for improving our technology infrastructure:

Function	Number of potential new recruitments	Position and experience
Develop HTML5 versions and other potential mini-programs for our existing game products . . .	54	We plan to hire nine team leaders with tertiary degree (大學專科) and three to four years of relevant working experience. For the remaining 45 game developers and engineers, we require a minimum of one and a half years of relevant working experience.
Improve user interface	20	We plan to hire one team leader with five to six years of relevant working experience. For the remaining 19 game developers and engineers, we require two to three years of relevant working experience.
Improve backend system . . .	15	We plan to hire one team leader with master degree and four to six years of relevant working experience. For the remaining 14 game developers and engineers, we plan to hire those with bachelor degree and at least three years of relevant working experience.

FUTURE PLANS AND USE OF PROCEEDS

Function	Number of potential new recruitments	Position and experience
Develop new features of our game products	16	We plan to hire one team leader with at least four years of relevant working experience. For the remaining 15 game developers and engineers, we require one to one and a half years of relevant working experience.
Improve our cybersecurity . .	5	We plan to hire one team leader with degree in master degree and four to six years of relevant working experience. For the remaining 4 game developers and engineers, we plan to hire those with a degree in bachelor degree and at least three years of relevant working experience.

As a result of the increase in number of game products from 243 as of December 31, 2017 to 508 as of the Latest Practicable Date, the existing game developers and engineers are utilized to provide support for the existing game products. These employees focus on the software programming of the individual 508 game products instead of our Group’s game platforms as a whole. The 20 and 15 employees to be recruited for improving user interface and backend system, respectively, will be responsible for considering the user interface of our Group as a whole which involves preparing all the visual effects, design and presentation of the in-game missions of all 508 game products and the team of employees responsible for improving the backend system will be charged with duties including establishing our Group’s backend data center, better utilization of the cloud technology and increasing data storage capacity. As for the 54 employees to be recruited to develop HTML5 versions and other mini-programs, while our Group has the technical know-how of converting our games into such format, each game product has to be formatted and our engineers are required to write the program in HTML5 format for each game product. Given the large number of game products of our Group, we believe that 54 additional engineers are needed to carry out such large volume of programming work. Taking into consideration the potential growth in the number of game products after the Listing and the launching of HTML5 version of our game products in 2019, our Directors believe that expanding our workforce is crucial to achieving our strategy to further develop and optimize our game portfolio, and strengthening our research and development and technology infrastructure. During the year ended December 31, 2018, we have recruited 80 additional staff for research and development, game development and technical support, who contributed significantly to the development of our game products and resulted in an increase in number of game products from 243 as of December 31, 2017 to 508 as of the Latest Practicable Date. As the recruitment of these 306 game developers and engineers will take place over a period of around four years, based on our previous recruitment process, we do not foresee difficulty in implementation of such recruitment plan. We plan to recruit these game developers and engineers through referrals and posting of job advertisements on websites.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$79.2 million (representing approximately 18.0% of our total estimated net proceeds) is intended to be used for enhancing our marketing capabilities and promoting our brand image. We intend to allocate:
 - approximately HK\$19.9 million on offline promotion activities in respect of the new game variations that we plan to develop in the next three years and approximately HK\$17.2 million on offline promotion activities in respect of our existing games;
 - approximately HK\$37.0 million of advertising expenses, including advertisements to be placed on social media platforms, third party websites, Apps and TV, as well as sponsoring various online and offline tournaments; and
 - approximately HK\$5.1 million to build a PR team to strengthen our overall marketing capability and to develop our public relationships capability, as well as engaging external consultants to promote our brand name.

During the Track Record Period, we focused our operations in Northeastern China, Guizhou province and Jiangxi province. As we gradually establish our presence in these areas, we were able to achieve economies of scale and control our marketing expenses. In line with our plan to further expand our geographic coverage in China, we anticipate that we need to increase our marketing expenses to achieve our strategy.

Our Group commenced the engagement of third party agencies to conduct offline marketing and promotion of private game room cards since May 2017 and for the year ended December 31, 2018, an amount of RMB6.8 million was paid to these third party agencies. As we are planning to launch over 450 new game products in the next three years and many of these include local or regional game variations of Mahjong and poker which require effective offline promotion to the local population, it is expected that significant amounts will be expended for the engagement of third party agencies. In order to benefit from the widely recognized brand names and large user base of third-party distribution channels, we started placing advertisements with popular social media platforms in the second half of 2017 and sponsored game tournaments through cooperation with local TV programs in early 2018. We believe the combination of offline and online marketing promotion strategies is crucial to achieving our strategy for further enhancing our marketing capabilities and promoting our brand image. Moreover, we have commenced the distribution of third-party mobile games in our platforms. In order to attract larger user base and continue to achieve growth in our revenue, we plan to put more resources on advertising on popular social media platforms and sponsoring various online and offline tournaments. Furthermore, in light of the Listing, we are of the view that this is a good opportunity to promote our brand awareness. As such, we intend to place more resources on advertisements, including promotion through our televised tournaments, and conduct marketing on platforms with large user traffic and TV to promote our brand, and has made arrangements and entered into agreements for provision of advertisement and promotion services in the last quarter of 2018 requiring us to pay over RMB13 million.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$47.0 million (representing approximately 10.6% of our total estimated net proceeds) is intended to be used for external growth by strategically pursuing partnership and acquisition opportunities. We intend to allocate:
 - approximately HK\$11.4 million to acquire IPs of no more than four casual games to enrich our game portfolio;
 - approximately HK\$34.2 million to pursue potential partnership with or acquisition of local small- to medium-size mobile game developers and operators which can enhance our game-related sourcing, development and operation capabilities, complement our experience in the gaming market and understand player preference and market trends. We will select those potential targets that have a strong team, established local player base and know-how to gain quick access to local market. We consider a local or regional mobile game developer and operator covering less than 5 counties with around 30 staff and net profit of RMB5 to 10 million a year to be small-size, whereas a medium-size local or regional mobile game developer and operator will have coverage of a whole province and between 60 to 80 staff earning a net profit of RMB30 to 40 million. While we do not have any particular acquisition targets as of the Latest Practicable Date, for expansion within China, we will focus on potential targets which offer localized card and board games as well as casual games in regional markets where we have not entered into, whereas for overseas expansion, we will focus on those which offer casual games; and
 - approximately HK\$1.4 million to develop the game distribution business, including identification, testing and promoting third-party mobile games and to develop second and third generations of such games.
- Approximately HK\$34.2 million (representing approximately 7.8% of our total estimated net proceeds) is intended to be used for our international expansion, including HK\$20 million which will be used for our expansion and promotion of casual games (such as Blaster) in Hong Kong. As Hong Kong is a developed market, in which its population has access to fast internet connection and large bandwidth, we believe that Hong Kong has potential for strong growth in mobile games market. In recent years, casual mobile games such as Candy Crush and Pokemon Go were hugely popular in Hong Kong. We believe that casual mobile games in Hong Kong will continue to grow and our expansion to Hong Kong will assist us to achieve international market penetration. In this regard, we plan to place advertisements with appropriate media in Hong Kong to promote our brands and casual game products. For international markets other than Hong Kong, we will engage consulting firms with necessary experience to help us carry out feasibility studies before we formulate concrete expansion steps. We currently do not foresee any regulatory barriers relating to our plans for our international expansion.
- Approximately HK\$44.0 million (representing approximately 10.0% of our total estimated net proceeds) is intended to be used to provide funding for our working capital and general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the proceeds will be adjusted in the proportion stated above in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the proposed Offer Price range.

If the Offer Price is fixed at HK\$1.85 per Offer Share (being the high end of the Offer Price range stated in this Prospectus), we will receive additional net proceeds of approximately HK\$76.1 million.

If the Offer Price is fixed at HK\$1.35 per Offer Share (being the low end of the Offer Price range stated in this Prospectus), the net proceeds we receive will be reduced by approximately HK\$76.1 million.

If the Over-allotment Option is exercised in full, the Over-allotment Option Grantor will be required to sell up to an aggregate of 19,468,000 Shares. We estimate that the net proceeds that the Over-allotment Option Grantor will receive will be approximately HK\$30.2 million, assuming an Offer Price of HK\$1.60 per Share, being the mid-point of the proposed Offer Price range.

We will not receive any of the proceeds from the Shares to be sold pursuant to the Over-allotment Option.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

IMPLEMENTATION PLANS

We will endeavour to achieve the milestones set out below by June 30, 2022. The respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and Assumptions” in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risks factor set out in the section headed “Risk factors — If we fail to strengthen our existing game portfolio, launch high-quality new games or game variations and enhance player experience, our ability to continue to retain existing players and attract new players will be materially and adversely affected.” in this prospectus. As such, there can be no assurance that our plans will materialise in accordance with the expected time frame or that our objectives will be accomplished.

FUTURE PLANS AND USE OF PROCEEDS

Based on our business objectives, we intend to carry out the following implementation plans:

For the period from the Latest Practicable Date to December 31, 2019

Business Strategy	Implementation Plan	Allocation of net proceeds from the Global Offering
Further expanding and developing our game portfolio	<ul style="list-style-type: none"> • Recruit 100 game developers and engineers to develop around 65 new Mahjong game variations, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$11.1 million
	<ul style="list-style-type: none"> • Recruit 24 game developers and engineers to develop around 15 new poker game variations, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$2.6 million
	<ul style="list-style-type: none"> • Recruit 24 game developers and engineers to develop around 5 new casual games, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$2.8 million
	<ul style="list-style-type: none"> • Purchase hardware including desktop computers and software including system software and programming software 	Approximately HK\$1.0 million
Introducing and enhancing game product features or functions and improving technology infrastructure .	<ul style="list-style-type: none"> • Recruit 24 game developers and engineers to develop HTML5 versions and other potential mini-programs for 30 of our existing game products 	Approximately HK\$5.1 million
	<ul style="list-style-type: none"> • Recruit 20 developers and engineers to improve the user interface of our game products 	Approximately HK\$3.4 million
	<ul style="list-style-type: none"> • Recruit 15 developers and engineers to improve our backend system 	Approximately HK\$3.4 million
	<ul style="list-style-type: none"> • Recruit 10 developers and engineers to develop new features of our game products 	Approximately HK\$2.3 million

FUTURE PLANS AND USE OF PROCEEDS

Business Strategy	Implementation Plan	Allocation of net proceeds from the Global Offering
	<ul style="list-style-type: none"> • Recruit 5 developers and engineers to improve our cybersecurity 	Approximately HK\$1.1 million
	<ul style="list-style-type: none"> • Purchase hardware including desktop computers, laptops and servers and software including system software; graphic design software and server software 	Approximately HK\$1.1 million
	<ul style="list-style-type: none"> • Outsource server related and technical support services 	Approximately HK\$1.1 million
Enhancing marketing capabilities and promoting brand image	<ul style="list-style-type: none"> • Recruit 10 marketing personnel to carry out/ supervise and manage offline promotion activities in respect of new game variations 	Approximately HK\$1.7 million
	<ul style="list-style-type: none"> • Outsource promotion activities in respect of new game variations and new geographic regions 	Approximately HK\$0.9 million
	<ul style="list-style-type: none"> • Recruit 5 marketing personnel to carry out offline promotion activities in respect of existing game products 	Approximately HK\$0.9 million
	<ul style="list-style-type: none"> • Outsource promotion activities in respect of existing game products 	Approximately HK\$1.6 million
	<ul style="list-style-type: none"> • Online promotions including placing advertisements on social media platforms, third party websites, Apps and TVs, as well as sponsoring various online and offline tournaments 	Approximately HK\$6.2 million
	<ul style="list-style-type: none"> • Recruit 4 marketing personnel to build a PR team that focuses on promoting brand image 	Approximately HK\$0.9 million

FUTURE PLANS AND USE OF PROCEEDS

For the period from January 1, 2020 to December 31, 2020

Business Strategy	Implementation Plan	Allocation of net proceeds from the Global Offering
Further expanding and developing our game portfolio	<ul style="list-style-type: none"> Maintain the 100 game developers and engineers hired in 2019 to develop around 100 new Mahjong game variations, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$17.7 million
	<ul style="list-style-type: none"> Maintain the 24 game developers and engineers hired in 2019 and hire 6 new game developers and engineers to develop around 35 new poker game variations, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$6.3 million
	<ul style="list-style-type: none"> Maintain the 24 game developers and engineers hired in 2019 and hire 18 new game developers and engineers to develop around 13 new casual games, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$7.9 million
	<ul style="list-style-type: none"> Purchase hardware including desktop computers and software including system software and programming software 	Approximately HK\$0.2 million
Introducing and enhancing game product features or functions and improving technology infrastructure .	<ul style="list-style-type: none"> Maintain the 24 game developers and engineers hired in 2019 and hire 24 new game developers and engineers to develop HTML5 versions and other potential mini-programs for 75 of our existing game products 	Approximately HK\$13.6 million
	<ul style="list-style-type: none"> Maintain the 20 developers and engineers hired in 2019 to improve the user interface of our game products 	Approximately HK\$7.1 million

FUTURE PLANS AND USE OF PROCEEDS

Business Strategy	Implementation Plan	Allocation of net proceeds from the Global Offering
	<ul style="list-style-type: none"> Maintain the 15 developers and engineers hired in 2019 to improve our backend system 	Approximately HK\$7.2 million
	<ul style="list-style-type: none"> Maintain the 10 developers and engineers hired in 2019 and hire 3 new developers and engineers to develop new features of our game products 	Approximately HK\$5.5 million
	<ul style="list-style-type: none"> Maintain the 5 developers and engineers hired in 2019 to improve our cybersecurity 	Approximately HK\$2.4 million
	<ul style="list-style-type: none"> Purchase hardware including desktop computers and software including system software and graphic design software 	Approximately HK\$0.2 million
	<ul style="list-style-type: none"> Outsource server related and technical support services 	Approximately HK\$2.3 million
Enhancing marketing capabilities and promoting brand image	<ul style="list-style-type: none"> Maintain the 10 marketing personnel hired in 2019 and hire 2 new marketing personnel to carry out/ supervise and manage offline promotion activities in respect of new game variations 	Approximately HK\$3.8 million
	<ul style="list-style-type: none"> Outsource promotion activities in respect of new game variations and new geographic regions 	Approximately HK\$1.8 million
	<ul style="list-style-type: none"> Maintain the 5 marketing personnel hired in 2019 and hire 3 new marketing personnel to carry out offline promotion activities in respect of existing game products 	Approximately HK\$2.2 million
	<ul style="list-style-type: none"> Outsource promotion activities in respect of existing game products 	Approximately HK\$3.3 million
	<ul style="list-style-type: none"> Online promotions including placing advertisements on social media platforms, third party websites, Apps and TVs, as well as sponsoring various online and offline tournaments 	Approximately HK\$12.3 million
	<ul style="list-style-type: none"> Maintain the PR team hired in 2019 that focuses on promoting brand image 	Approximately HK\$1.7 million

FUTURE PLANS AND USE OF PROCEEDS

For the period from January 1, 2021 to December 31, 2021

Business Strategy	Implementation Plan	Allocation of net proceeds from the Global Offering
Further expanding and developing our game portfolio	<ul style="list-style-type: none"> • Maintain the 100 game developers and engineers hired in 2019 to develop around 75 new Mahjong game variations, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$14.7 million
	<ul style="list-style-type: none"> • Maintain the 30 game developers and engineers hired in 2019 and 2020, and hire 12 new game developers and engineers to develop around 50 new poker game variations, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$10.0 million
	<ul style="list-style-type: none"> • Maintain the 42 game developers and engineers hired in 2019 and 2020, and hire 12 new game developers and engineers to develop around 18 new casual games, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$11.9 million
	<ul style="list-style-type: none"> • Purchase hardware including desktop computers and software including system software and programming software 	Approximately HK\$0.2 million
Introducing and enhancing game product features or functions and improving technology infrastructure .	<ul style="list-style-type: none"> • Maintain the 48 game developers and engineers hired in 2019 and 2020, and hire 6 new game developers and engineers to develop HTML5 versions and other potential mini-programs for 95 of our existing game products 	Approximately HK\$18.7 million
	<ul style="list-style-type: none"> • Maintain the 20 developers and engineers hired in 2019 to improve the user interface of our game products 	Approximately HK\$7.5 million

FUTURE PLANS AND USE OF PROCEEDS

Business Strategy	Implementation Plan	Allocation of net proceeds from the Global Offering
	<ul style="list-style-type: none"> Maintain the 15 developers and engineers hired in 2019 to improve our backend system 	Approximately HK\$7.9 million
	<ul style="list-style-type: none"> Maintain the 13 developers and engineers hired in 2019 and 2020, and hire 3 new developers and engineers to develop new features of our game products 	Approximately HK\$7.7 million
	<ul style="list-style-type: none"> Maintain the 5 developers and engineers hired in 2019 to improve our cybersecurity 	Approximately HK\$2.6 million
	<ul style="list-style-type: none"> Purchase hardware including desktop computers and software including system software and graphic design software 	Approximately HK\$0.1 million
	<ul style="list-style-type: none"> Outsource server related and technical support services 	Approximately HK\$2.3 million
Enhancing marketing capabilities and promoting brand image	<ul style="list-style-type: none"> Maintain the 12 marketing personnel hired in 2019 and 2020 to carry out/ supervise and manage offline promotion activities in respect of new game variations 	Approximately HK\$4.1 million
	<ul style="list-style-type: none"> Outsource promotion activities in respect of new game variations and new geographic regions 	Approximately HK\$3.7 million
	<ul style="list-style-type: none"> Maintain the 8 marketing personnel hired in 2019 and 2020 to carry out offline promotion activities in respect of existing game products 	Approximately HK\$2.7 million
	<ul style="list-style-type: none"> Outsource promotion activities in respect of existing game products 	Approximately HK\$3.4 million
	<ul style="list-style-type: none"> Online promotions including placing advertisements on social media platforms, third party websites, Apps and TVs, as well as sponsoring various online and offline tournaments 	Approximately HK\$12.3 million
	<ul style="list-style-type: none"> Maintain the PR team hired in 2019 that focuses on promoting brand image 	Approximately HK\$1.7 million

FUTURE PLANS AND USE OF PROCEEDS

For the period from January 1, 2022 to June 30, 2022

Business Strategy	Implementation Plan	Allocation of net proceeds from the Global Offering
Further expanding and developing our game portfolio	<ul style="list-style-type: none"> • Maintain the 100 game developers and engineers hired in 2019 to develop around 40 new Mahjong game variations, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$8.2 million
	<ul style="list-style-type: none"> • Maintain the 42 game developers and engineers hired in 2019, 2020 and 2021 to develop around 30 new poker game variations, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$6.2 million
	<ul style="list-style-type: none"> • Maintain the 54 game developers and engineers hired in 2019, 2020 and 2021 to develop around 10 new casual games, which are expected to be launched in the same period (subject to pre-approval from the relevant government authorities being obtained, if required) 	Approximately HK\$6.9 million
Introducing and enhancing game product features or functions and improving technology infrastructure .	<ul style="list-style-type: none"> • Maintain the 54 game developers and engineers hired in 2019, 2020 and 2021 to develop HTML5 versions and other potential mini-programs for 50 of our existing game products 	Approximately HK\$10.3 million
	<ul style="list-style-type: none"> • Maintain the 20 developers and engineers hired in 2019 to improve the user interface of our game products 	Approximately HK\$3.9 million
	<ul style="list-style-type: none"> • Maintain the 15 developers and engineers to improve our backend system 	Approximately HK\$4.1 million
	<ul style="list-style-type: none"> • Maintain the 16 developers and engineers hired in 2019, 2020 and 2021 to develop new features of our game products 	Approximately HK\$4.4 million

FUTURE PLANS AND USE OF PROCEEDS

Business Strategy	Implementation Plan	Allocation of net proceeds from the Global Offering
	<ul style="list-style-type: none"> • Maintain the 5 developers and engineers hired in 2019 to improve our cybersecurity 	Approximately HK\$1.4 million
	<ul style="list-style-type: none"> • Outsource server related and technical support services 	Approximately HK\$1.2 million
Enhancing marketing capabilities and promoting brand image	<ul style="list-style-type: none"> • Maintain the 12 marketing personnel hired in 2019 and 2020 to carry out/ supervise and manage offline promotion activities in respect of new game variations 	Approximately HK\$2.0 million
	<ul style="list-style-type: none"> • Outsource promotion activities in respect of new game variations and new geographic regions 	Approximately HK\$1.8 million
	<ul style="list-style-type: none"> • Maintain the 8 marketing personnel hired in 2019 and 2020 marketing personnel to carry out offline promotion activities in respect of existing game products 	Approximately HK\$1.4 million
	<ul style="list-style-type: none"> • Outsource promotion activities in respect of existing game products 	Approximately HK\$1.7 million
	<ul style="list-style-type: none"> • Online promotions including placing advertisements on social media platforms, third party websites, Apps and TVs, as well as sponsoring various online and offline tournaments 	Approximately HK\$6.2 million
	<ul style="list-style-type: none"> • Maintain the PR team that focuses on promoting brand image 	Approximately HK\$0.9 million

Bases and Assumptions

Potential investors should note that our ability to achieve our business objectives as well as our market and growth potential depend on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in China or in any other places in which we carry on our business or will carry on our business;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no material changes in the prevailing laws (whether in China or any other part of the world), policies or industry or regulatory treatment relating to us, or in the political, economic or market conditions in the places in which we operate or will operate;
- there will be no change in the validity of the licences and permits obtained by us;
- there will be no material changes in the bases or rates of taxation in China or in any other places in which we operate;
- there will be no significant changes in our business relationships with our major suppliers; and
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed “Implementation Plans” in this section above.

UNDERWRITING

HONG KONG UNDERWRITERS

SBI China Capital Financial Services Limited

China Galaxy International Securities (Hong Kong) Co., Limited

I Win Securities Limited

Grand Moore Capital Limited

China Everbright Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator has the right, in its sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement if it sees fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Global Coordinator that:
 - (i) any statement contained in this prospectus (“**Offer Documents**”) considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was, when it was issued, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Sole Global Coordinator, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (ii) any of the representations and warranties given by our Company, Controlling Shareholders and/or Warranting Directors (as defined in the Hong Kong Underwriting Agreement) in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (iii) any material breach of any of the obligations or undertakings imposed upon any party (other than the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters) to any of the Underwriting Agreements; or
 - (iv) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospect of any member of our Group; or
 - (v) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vi) our Company withdraws any of the Offer Documents or the Global Offering; or
 - (vii) any matter, event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities given by our Company under any of the Underwriting Agreements; or
 - (viii) any person (other than the Hong Kong Underwriters and the Sole Sponsor) has withdrawn or sought to withdraw its consent to being named as an expert in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, Macau, China, the Cayman Islands or the British Virgin Islands (each a “**Relevant Jurisdiction**”); or

UNDERWRITING

- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including without limitation SARS and Influenza A (H5N1)) in or affecting any of the Relevant Jurisdictions; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (viii) the commencement by any judicial or regulatory body or organization of any public action against a Director or an announcement by any judicial or regulatory body or organization that it intends to take any such action; or
- (ix) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the reasonable opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or

UNDERWRITING

- (x) a petition is presented for the winding up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries make any compromise or arrangement with our Company's or our creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xi) a valid demand by any creditor for repayment or payment of any of our Company's indebtedness or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries are liable prior to its stated maturity, or any loss or damage sustained by our Company or any of our subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xii) any material litigation or claim being threatened or instigated against our Company or any of our subsidiaries,

and which, in any of the above cases and in the sole opinion of the Sole Global Coordinator:

- (a) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of our Company or our subsidiaries as a whole; or
- (b) has or may have or will have an adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (c) makes or may make or will make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

Undertakings to the Stock Exchange under the Listing Rules

By us

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the Offer Shares to be issued pursuant to the Global Offering, any Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme, without the prior consent of the Stock Exchange, except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the Over-allotment Option and/or if the applicable, the Stock Borrowing Agreement, it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) at any time within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; or
- (b) at any time during the six-month period commencing on the date on which the period mentioned in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder(s) or a member of a group of Controlling Shareholders.

Pursuant to Note 3 to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he or it receives any indications, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares or securities will be disposed of, immediately inform our Company of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

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Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

We have undertaken to the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering and any options which may be granted under the Post-IPO Share Option Scheme, we will not, without the prior written consent of the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the “**First Six-month Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any equity securities of our Company), or deposit any equity securities of our Company with a depository in connection with the issue of depository receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any equity securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of such equity securities, in cash or otherwise (whether or not the issue of such equity securities will be completed within the First Six-month Period), and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of our Company.

UNDERWRITING

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Over-allotment Option and the Stock Borrowing Agreement, it will not, and will procure that none of its close associates will not, without the prior written consent of the Sole Sponsor and Sole Global Coordinator, (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules at any time during the First Six-month Period:

- (a) offer, pledge, charge, sell, contract to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any shares or any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of our Company); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such shares or equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any shares); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraph (a) or (b) or (c) above is to be settled by delivery of shares or such other securities of our Company, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company, in cash or otherwise (whether or not the issue of shares or other securities will be completed within the First Six-month Period), save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules.

In addition, during the Second Six-month Period, each of our Controlling Shareholders will not enter into any of the transactions described in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following such transaction or action, it will cease to be a Controlling Shareholder of our Company.

Until the expiry of the Second Six-month Period, in the event that any of our Controlling Shareholders enters into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction, our Company will take all reasonable steps to ensure that our Company will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters except pursuant to the Over-allotment Option and the Stock Borrowing Agreement that it will, at any time before the expiry of the Second Six-month Period:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of our Company or any interests therein in respect of which it is the beneficial owner, immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or securities or interests in the shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Our Company will inform the Stock Exchange, the Sole Sponsor and the Sole Global Coordinator in writing as soon as our Company has been informed of any of the matters referred to above (if any) by any of our Controlling Shareholder and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Each of our Company and our Controlling Shareholders agrees and undertakes that it will not, and each Controlling Shareholder further undertakes to procure that our Company will not, effect any transactions of Shares, or agree to do so, which may reduce the holdings of Shares of persons other than the Directors, chief executives, substantial shareholders or their respective close associates to below 30% within the First Six-month Period without first having obtained the prior written consent of the Sole Global Coordinator.

International Offering

In connection with the International Offering, it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or procure subscribers for the International Offer Shares being offered pursuant to the International Offering.

The Over-allotment Option Grantor is expected to grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require the Over-allotment Option Grantor to sell up to an aggregate of 19,468,000 Shares, representing 6.2% of the initial Offer Shares in aggregate, at the same price per Share under the International Offering to cover over-allocations (if any) in the International Offering.

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Commission and expenses

The Underwriters will receive an underwriting commission of 3.00% on the aggregate Offer Price of all the Offer Shares (including proceeds from exercising the Over-allotment Option) and before deduction of any fees, tax and expenses, out of which any sub-underwriting commission will be paid. In addition, we may pay to the China Everbright Securities (HK) Limited (for its account only) an incentive fee of HK\$3 million, subject to Listing.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company.

Indemnity

Each of our Company, the Controlling Shareholders and the Warranting Directors (as defined in the Hong Kong Underwriting Agreement) has agreed to indemnify each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters against certain losses which it may suffer, including losses arising from its performance of its obligations under the Hong Kong Underwriting Agreement and any breach by us, the Controlling Shareholders and the Warranting Directors (as defined in the Hong Kong Underwriting Agreement) of the Hong Kong Underwriting Agreement.

Activities by Syndicate members

Set out below is a variety of activities that the Underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members”, may each individually undertake, and which do not form part of the underwriting or the stabilizing process. It should be noted that when engaging in any these activities the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, none of the Underwriters (except for the Stabilizing Manager or any person(s) acting for it for the purpose of taking any stabilizing action) will, and each of the Underwriter will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorise any other person to effect any transactions including, but not limited to issuing options or derivatives on the underlying Shares (whether in the open market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilizing or maintaining the market price of any of the Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilization or manipulation, in violation of applicable laws, of the price of any security of our Company; and
- (b) none of the Underwriters (other than the Stabilizing Manager or any other person(s) acting for it for the purpose of taking any stabilizing action), will, during the period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th

UNDERWRITING

day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying Shares (whether in the open market or otherwise), except with the prior written consent of the Stabilizing Manager and the Sole Global Coordinator.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares and entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the paragraphs headed “International Offering — Over-allotment Option” and “Stabilization Action” under the section headed “Structure of the Global Offering” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares and their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters’ interests in our Company

Save for its obligations under the Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

Sponsor’s Independence

China Everbright Capital Limited satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. China Everbright Capital Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange.

The Global Offering initially consists of (subject to the Over-allotment Option):

- (i) the Hong Kong Public Offering of 31,400,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed “Hong Kong Public Offering” in this section below; and
- (ii) the International Offering of 282,600,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for Hong Kong Public Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as set out in the sub-section headed “International Offering — Over-allotment Option” in this section of the prospectus.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and any Shares which may be issued pursuant to the exercise of the any options which may be granted under Post-IPO Share Option Scheme;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Sole Global Coordinator and our Company on the Price Determination Date, which is expected to be on or around Friday, June 21, 2019 and in any event, not later than Tuesday, June 25, 2019.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company by Tuesday, June 25, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the website of the Company at www.jiaxianghudong.com and on the website of the Stock Exchange at www.hkexnews.hk on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, July 3, 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, July 4, 2019 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 31,400,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Offering; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Public Offer Shares will represent 2.5% of our Company’s issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” in this section of the prospectus.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK\$5 million or less (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 15,700,000 Hong Kong Public Offer Shares (being 50% of the initial number of Hong Kong Public Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the sole and absolute discretion of the Sole Global Coordinator, subject to the following:

- (i) where the International Offer Shares are fully subscribed or oversubscribed:
 - a. if the Hong Kong Public Offer Shares are not fully subscribed for, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportion as the Sole Global Coordinator deems appropriate;
 - b. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 31,400,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 62,800,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering; and

STRUCTURE OF THE GLOBAL OFFERING

- c. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (A) 15 times or more but less than 50 times; (B) 50 times or more but less than 100 times; and (C) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 94,200,000 Offer Shares (in the case of (A)), 125,600,000 Offer Shares (in the case of (B)) and 157,000,000 Offer Shares (in the case of (C)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) in each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate;
- (ii) where the International Offer Shares are undersubscribed:
 - a. if the Hong Kong Public Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and
 - b. if the Hong Kong Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 31,400,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 62,800,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraphs (i)(b), (i)(c) or (ii)(b) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$1.35 per Offer Share) according to the HKEx Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

STRUCTURE OF THE GLOBAL OFFERING

Applications

The Sole Global Coordinator may require any investors who have been offered Shares under the International Offering, and who have made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.85 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the sub-section headed "Price Determination of the Global Offering" in this section of the prospectus, is less than the maximum price of HK\$1.85 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL OFFERING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Offering will be 282,600,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised.

The International Offering is subject to the same conditions as stated in the sub-section headed "Conditions of the Global Offering" in this section of the prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process described in the sub-section headed “Price Determination of the Global Offering” in this section of the prospectus and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, the Over-allotment Option Grantor is expected to grant an Over-allotment Option to the International Underwriters that is exercisable at the sole and absolute discretion of the Sole Global Coordinator (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require the Over-allotment Option Grantor to sell up to 19,468,000 Shares, representing 6.2% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Offering to cover over-allocation in the International Offering, if any. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, June 21, 2019, and in any event on or before Tuesday, June 25, 2019, by agreement between the Sole Global Coordinator and our Company.

The Offer Price will be not more than HK\$1.85 per Share and is expected to be not less than HK\$1.35 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. 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 applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.jiaxianghudong.com notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Sole Global Coordinator, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Wednesday, July 3, 2019 in the manner set out in the sub-section headed “How to Apply for the Hong Kong Public Offer Shares — 11. Publication of Results” in this prospectus.

STABILIZATION ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

STRUCTURE OF THE GLOBAL OFFERING

SBI China Capital Financial Services Limited has been appointed by us as the stabilizing manager (“**Stabilizing Manager**”) for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on Sunday, July 21, 2019, being the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the sole and absolute discretion of the Sole Global Coordinator and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold by the Over-allotment Option Grantor under the Over-allotment Option, namely 19,468,000 Shares in aggregate, which is 6.2% of the Shares initially available under the Global Offering.

Stabilizing Manager, its affiliates or any person acting for it, may take all or any of the following stabilizing action in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
- (ii) in connection with any action described in paragraph (i) above;
 - (a) (1) over-allocation; or
 - (2) selling or agreeing to sell the Shares so as to establish a short position in them, for the purpose of preventing or minimizing any reduction in the market price of the Shares;
 - (b) exercise the Over-allotment Option and purchase, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;
 - (c) sell or agree to sell any Shares by it in the course of the stabilizing action in order to liquidate any position that has been established by such actions; and
 - (d) offer or attempt to do anything described in (a)(2), (b) and (c) above.

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position; Investors should be warned of the possible impact of any liquidation of such long position by the Stabilizing Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;
- stabilizing action cannot be used to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Sunday, July 21, 2019, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by taking any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 19,468,000 Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at its sole and absolute discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, SBI China Capital Financial Services Limited may borrow up to 19,468,000 Shares from Jiang Ming Kuan Network Limited, equivalent to the maximum number of Shares to be sold by the Over-allotment Option Grantor on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, July 4, 2019, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, July 4, 2019, and will be traded in board lots of 2,000 Shares.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/ or any its subsidiaries;
- a Director or chief executive officer of the Company and/ or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through www.eipo.com.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours between from 9:00 a.m. on Tuesday, June 18, 2019 until 12:00 noon on Friday, June 21, 2019 from:

- (i) the following addresses of the Hong Kong Underwriters:

SBI China Capital Financial Services Limited
Unit A2, 32/F
United Centre
95 Queensway
Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

China Galaxy International Securities (Hong Kong) Co., Limited
20th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

I Win Securities Limited
Room 1916, Hong Kong Plaza
188 Connaught Road West
Sai Wan
Hong Kong

Grand Moore Capital Limited
Unit 1607, 16/F
Silvercord Tower 1
30 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch	Address
Hong Kong Island	Bank of China Tower Branch	1 Garden Road, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
New Territories	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Sha Tin, New Territories

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

District	Branch	Address
	East Point City Branch	Shop Nos. 217 D-E, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O, New Territories

You can collect a **YELLOW** Application Form and a copy of the prospectus during normal business hours from 9:00 a.m. on Tuesday, June 18, 2019 until 12:00 noon on Friday, June 21, 2019, from the **Depository Counter of HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — HOMELAND INTERACTIVE PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, June 18, 2019	— 9:00 a.m. to 5:00 p.m.
Wednesday, June 19, 2019	— 9:00 a.m. to 5:00 p.m.
Thursday, June 20, 2019	— 9:00 a.m. to 5:00 p.m.
Friday, June 21, 2019	— 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, June 21, 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Underwriters and/ or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Sole Sponsor and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/ or its agents to send any share certificate(s) and/ or any e-Refund payment instructions and/ or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/ or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or to the Computershare Hong Kong Investor Services Limited by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "2. Who Can Apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, June 18, 2019 until 11:30 a.m. on Friday, June 21, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, June 21, 2019 or such later time under the “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Homeland Interactive Technology Ltd.” **White Form eIPO** application submitted via the website www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/ or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/ or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/ or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Underwriters and/or their respective advisers and agents;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/ or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/ Custodian Participants can input electronic application instructions at the following times on the following dates:⁽¹⁾

Tuesday, June 18, 2019	— 9:00 a.m. to 8:30 p.m.
Wednesday, June 19, 2019	— 8:00 a.m. to 8:30 p.m.
Thursday, June 20, 2019	— 8:00 a.m. to 8:30 p.m.
Friday, June 21, 2019	— 8:00 a.m. to 12:00 noon

Note:

1. The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, June 18, 2019 until 12:00 noon on Friday, June 21, 2019 (24 hours daily, except on Friday, June 21, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, June 21, 2019, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/ or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Sole Sponsor, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, June 21, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a WHITE or YELLOW Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Price Determination of the Global Offering”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 21, 2019. Instead they will open between 9:00 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, June 21, 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, July 3, 2019 on the Company’s website at www.jiaxianghudong.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.jiaxianghudong.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, July 3, 2019;
- from the designated results of allocations website at www.iporeresults.com.hk (alternatively English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, July 3, 2019 to 12:00 midnight on Tuesday, July 9, 2019;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, July 3, 2019 to Saturday, July 6, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, July 3, 2019 to Friday, July 5, 2019 at all the receiving bank designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/ or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/ or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.85 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, July 3, 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by WHITE or YELLOW Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for YELLOW Application Forms, share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/ passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, July 3, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, July 4, 2019 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/ or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. and 1:00 p.m. on Wednesday, July 3, 2019 or such other date as notified by the Company on the website of the Company at www.jiaxianghudong.com and on the website of the Stock Exchange at www.hkexnews.com.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/ or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, July 3, 2019, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, July 3, 2019, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, July 3, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before Wednesday, July 3, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the White Form eIPO service*

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, July 3, 2019, or such other date as notified by the Company on the website of the Company at www.jiaxianghudong.com and on the website of the Stock Exchange at www.hkexnews.com as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, July 3, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, July 3, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/ passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, July 3, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before Wednesday, July 3, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, July 3, 2019. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, July 3, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealing in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HOMELAND INTERACTIVE TECHNOLOGY LTD. AND CHINA EVERBRIGHT CAPITAL LIMITED****Introduction**

We report on the historical financial information of Homeland Interactive Technology Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I - 3 to I - 62, which comprises the consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018 and the statement of financial position of the Company as at December 31, 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2016, 2017 and 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I - 3 to I - 62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 18, 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting 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 ("the HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2016, 2017 and 2018, of the Company's financial position as at December 31, 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

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 preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on I-3 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states the dividends declared and paid by the Company's subsidiaries and no dividends have been declared by the Company during the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 18, 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Revenue	5	51,946	261,751	439,530
Cost of sales	6	(9,315)	(51,693)	(103,308)
Gross profit		42,631	210,058	336,222
Other income	7	41	812	5,109
Foreign exchange gains (losses), net		48	(194)	208
Selling and marketing expenses		(8,790)	(38,888)	(46,646)
Administrative expenses		(3,827)	(17,111)	(26,052)
Listing expenses		—	—	(15,702)
Profit before income tax		30,103	154,677	253,139
Income tax expense	8	(5,866)	(21,933)	(36,606)
Profit and total comprehensive income for the year	9	<u>24,237</u>	<u>132,744</u>	<u>216,533</u>
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		23,256	118,569	204,091
Non-controlling interests		981	14,175	12,442
		<u>24,237</u>	<u>132,744</u>	<u>216,533</u>
Earnings per share				
(in RMB cents)				
- Basic	12	<u>3.22</u>	<u>16.37</u>	<u>25.12</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company
		As at December 31,			As at
		2016	2017	2018	December 31, 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	13	8,053	11,653	12,586	—
Intangible assets	14	4,217	3,846	1,980	—
Loan to an employee	15	—	—	1,900	—
Rental and other deposits		73	280	791	—
Investment in a subsidiary		—	—	—	—
		<u>12,343</u>	<u>15,779</u>	<u>17,257</u>	<u>—</u>
Current assets					
Trade receivables	16	2,234	9,674	22,387	—
Prepayments and other receivables	17	7,732	11,764	38,878	7,354
Amounts due from shareholders	18	22,401	29,420	—	—
Cash and cash equivalents	19	22,591	150,984	218,195	—
		<u>54,958</u>	<u>201,842</u>	<u>279,460</u>	<u>7,354</u>
Current liabilities					
Trade and other payables	20	5,531	39,451	35,530	824
Amounts due to shareholders	21	920	7,260	—	—
Amounts due to related parties	21	4,071	71	—	—
Amount due to a subsidiary	21	—	—	—	13,569
Deferred revenue	22	5,105	36,298	39,269	—
Tax payable		8,877	9,366	9,183	—
		<u>24,504</u>	<u>92,446</u>	<u>83,982</u>	<u>14,393</u>
Net current assets (liabilities)		<u>30,454</u>	<u>109,396</u>	<u>195,478</u>	<u>(7,039)</u>
Total assets less current liabilities		<u>42,797</u>	<u>125,175</u>	<u>212,735</u>	<u>(7,039)</u>
Capital and reserves					
Paid-in capital/Share capital	23	10,000	—	27	27
Reserves		31,817	115,625	212,708	(7,066)
Equity attributable to owners of the Company		41,817	115,625	212,735	(7,039)
Non-controlling interests		980	9,550	—	—
Total equity		<u>42,797</u>	<u>125,175</u>	<u>212,735</u>	<u>(7,039)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Paid-in capital/Share capital	Statutory reserve	Other reserve	(Accumulated losses)/Retained earnings	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at January 1, 2016	10,000	1,134	—	7,427	18,561	(1)	18,560	
Profit and total comprehensive income for the year	—	—	—	23,256	23,256	981	24,237	
Transfer to statutory reserve	—	2,326	—	(2,326)	—	—	—	
As at December 31, 2016	10,000	3,460	—	28,357	41,817	980	42,797	
Profit and total comprehensive income for the year	—	—	—	118,569	118,569	14,175	132,744	
Dividends recognized as distribution (note 10)	—	—	—	(42,803)	(42,803)	(3,367)	(46,170)	
Effect from group reorganization (Note 1)	(10,000)	—	8,042	—	(1,958)	(2,238)	(4,196)	
Transfer to statutory reserve	—	11,567	—	(11,567)	—	—	—	
As at December 31, 2017	—	15,027	8,042	92,556	115,625	9,550	125,175	
Profit and total comprehensive income for the year	—	—	—	204,091	204,091	12,442	216,533	
Effect of group reorganization (Note 2)	—	—	11,672	—	11,672	(11,672)	—	
Dividends recognized as distribution (note 10)	—	—	—	(118,680)	(118,680)	(10,320)	(129,000)	
Issue of shares	27	—	—	—	27	—	27	
As at December 31, 2018	27	15,027	19,714	177,967	212,735	—	212,735	

Note 1: Immediately before the group reorganization as stated in Note 1 to the Historical Financial Information, Mr. Wu Chengze (“Mr. Wu”), Mr. Jiang Mingkuan (“Mr. Jiang”) and Mr. Su Bo (“Mr. Su”) who are all acting in concert (collectively known as the “Founders” or “Controlling Shareholders”) held 92%, 100% and 78% equity interests in Jiayang Interactive (Xiamen) Network Technology Company Limited (“Jiayang Interactive”), Jilin Yuke Network Technology Company Limited (“Jilin Yuke”) and Jilin Xinze Network Technology Company Limited (“Jilin Xinze”), respectively. As part of the group reorganization, Jiayang Interactive acquired 100% of the equity interests in Jilin Yuke and Jilin Xinze from the Controlling Shareholders and the non-controlling interests in December 2017. The difference between the amounts payable for acquisition of additional interests in the subsidiaries and the change in the carrying amount of non-controlling interests was included in other reserve. Following the group reorganization in December 2017, the Controlling Shareholders effectively held 92% of the equity interests in Jiayang Interactive, Jilin Yuke and Jilin Xinze.

Note 2: On September 24, 2018, Beijing Kexin Network Technology Company Limited (“Homeland PRC”), Jiayang Interactive and its parent Jilin Yutai Network Technology Company Limited (“Jilin Yutai”) entered into a series of contractual arrangements (the “Contractual Arrangements”), which enable the Group to be entitled to 100% of assets and profits from Jiayang Interactive and its subsidiaries. The details are set out in Note 1 to the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	Year ended December 31,		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Operating activities				
Profit before income tax		30,103	154,677	253,139
Adjustments for:				
Depreciation and amortization		473	2,553	3,630
Interest income		(15)	(232)	(663)
Loss on disposal of property, plant and equipment		—	—	53
Operating cash flows before movements in working capital		30,561	156,998	256,159
Increase in trade receivables		(2,079)	(7,440)	(12,713)
Decrease (increase) in rental and other deposits, prepayments and other receivables		2,493	(4,239)	(22,993)
(Increase) decrease in amounts due from shareholders		(9,903)	(5,017)	24,945
Increase (decrease) in amounts due to shareholders		648	5,031	(7,102)
Increase in trade and other payables		273	25,724	5,092
Increase in amount due to a related party		4,000	—	—
Increase in deferred revenue		3,409	31,193	2,971
Cash from operating activities		29,402	202,250	246,359
Income tax paid		(1,362)	(21,444)	(36,789)
Net cash from operating activities		28,040	180,806	209,570
Investing activities				
Purchase of property, plant and equipment		(4,279)	(4,495)	(2,995)
Purchase of intangible assets		(600)	(1,287)	(4,092)
Proceeds from disposal of property, plant and equipment		—	—	337
Advances to shareholders		(1,658)	(39,356)	(1,020)
Repayments from shareholders		—	27,615	6,646
Loan to an employee		—	—	(1,900)
Net cash outflow on disposal of a subsidiary	29	—	—	(1,082)
Interest received		15	232	663
Net cash used in investing activities		(6,522)	(17,291)	(3,443)

	NOTES	Year ended December 31,		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Financing activities				
Advances from shareholders		2,035	1,309	—
Repayments to shareholders		(2,035)	—	(1,309)
Advance from a related party		—	—	—
Repayment to a related party		—	—	(71)
Acquisition of non-controlling interests of a subsidiary		—	—	(4,196)
Issue costs paid		—	—	(4,340)
Dividends paid	10	—	(36,431)	(129,000)
Net cash used in financing activities		—	(35,122)	(138,916)
Net increase in cash and cash equivalents		21,518	128,393	67,211
Cash and cash equivalents at the beginning of the				
year		1,073	22,591	150,984
Cash and cash equivalents at the end of the year . . .	19	22,591	150,984	218,195

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

General information

Homeland Interactive Technology Ltd. (the “Company”) is an exempted company with limited liability incorporated in Cayman Islands on May 7, 2018. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company is controlled by the Founders.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are primarily engaged in the development, publication and operation of mobile games in the People’s Republic of China (the “PRC”).

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company and its subsidiaries.

History and reorganization of the Group

The operating subsidiaries of the Group are Jilin Xinze, Jiaxiang Interactive, Jilin Yuke and Yuke Internet (Beijing) Network Technology Co., Ltd. (“Beijing Yuke”) which were established on November 13, 2009, August 31, 2015, March 10, 2017 and March 28, 2017, respectively.

From the time Jilin Xinze was established, the Founders agreed that they were its beneficial owners as to 60% by Mr. Wu, 20% by Mr. Jiang and 20% by Mr. Su and that each company operating the business to be established thereafter would be beneficially owned by them in the same proportion. However, for convenience, one of the Founders would take the lead in establishing each such business and, together with senior management members and/or external parties where desirable, hold the legal ownership of each such company as nominee for the other two Founders.

In 2015, the Founders saw an opportunity to expand its businesses in the growing southern China market for board and card games and decided to establish Jiaxiang Interactive in Xiamen. They determined that Mr. Wu would set up Jiaxiang Interactive with three senior management members, namely Mr. Guo Shunshun (“Mr. Guo”), Mr. Wang Bing (“Mr. Wang”) and Mr. Xing Donghai (“Mr. Xing”). The inclusion of Mr. Guo, Mr. Wang and Mr. Xing as named legal owners of Jiaxiang Interactive was intended to facilitate their interaction with potential business partners. Mr. Wu held 60% of his interest as beneficial owner, 20% as nominee for Mr. Jiang and 20% as nominee for Mr. Su, and each of Mr. Wang and Mr. Xing held his respective interest as nominee for Mr. Wu, Mr. Jiang and Mr. Su as to 60%, 20% and 20%, respectively. To reward his past contribution and incentivize his ongoing service, Mr. Guo’s interest was allocated to him as beneficial owner.

In 2017, the Founders realized the potential of the private game room business and agreed that Mr. Su would lead the establishment of Jilin Yuke to operate such business. The Founders decided to hold their interests in Jilin Yuke via a limited partnership, Changchun Xinkele Network Technology Centre (Limited Partnership) (“Changchun Xinkele”), which was established by an agent engaged by the Group. To incentivize two senior management members, namely Mr. Ding Chunlong (“Mr. Ding”) and Mr. Men Geng (“Mr. Men”), who were responsible for marketing and promotion of the private game room business, and to align their interests with the Group’s interests, the Founders allocated each of them an interest in Jilin Yuke as legal and beneficial owner. The Founders also assigned an interest in Changchun Xinkele to Mr. Zhu Huaming (“Mr. Zhu”), a consultant of the Group, as legal and beneficial owner. The remaining interests in Changchun Xinkele were held by Mr. Su, Mr. Ding and Mr. Men. Mr. Su was the general partner of Changchun Xinkele. The inclusion of Mr. Ding and Mr. Men as limited partners of Changchun Xinkele was intended to facilitate their work in marketing and promoting the private game room business. Mr. Su held 20% of his interest as beneficial owner, 60% as nominee for Mr. Wu and 20% as nominee for Mr. Jiang, and each of Mr. Ding and Mr. Men held his respective interest for Mr. Wu, Mr. Jiang and Mr. Su as to 60%, 20% and 20%, respectively. Beijing Yuke is a wholly-owned subsidiary of Jilin Yuke.

Each of Jilin Xinze, Jiaxiang Interactive and Jilin Yuke has undergone other changes in shareholding structure since establishment and the Group is undergoing a reorganization (“Reorganization”) in preparation for listing on the Stock Exchange (the “Listing”). Nevertheless, the Founders have beneficially owned all or a large majority of the interests in each of Jilin Xinze, Jiaxiang Interactive and Jilin Yuke since their respective establishment and they have been parties acting in concert to develop the business of the Group.

Jiaxiang Interactive acquired 100% of the equity interest in Jilin Xinze and Jilin Yuke on December 21, 2017 and December 26, 2017, respectively (the “Acquisition”).

On January 5, 2018, Jilin Yutai acquired 100% of the equity interest in Jiaxiang Interactive. Jilin Yutai was established in the PRC in January 2018 and is held as to 92% by Mr. Wu (55.2% (being 60% of 92%) as beneficial owner, 18.4% (being 20% of 92%) as nominee for Mr. Jiang and 18.4% (being 20% of 92%) as nominee for Mr. Su) and 8% by Mr. Guo (as beneficial owner).

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services. In order to make investments into the business of the Group, the Company established a subsidiary, Homeland PRC, which is a wholly foreign owned enterprise established in the PRC in August 2018.

Homeland PRC, Jiaxiang Interactive and its parent Jilin Yutai entered into a series of Contractual Arrangements, which are dated on September 24, 2018 and effective date is from September 24, 2018. The Contractual Arrangements enable Homeland PRC and the Group to:

- exercise effective financial and operational control over Jiaxiang Interactive;

- exercise owners' voting rights of Jiaxiang Interactive;
- receive substantially all of the economic interest returns generated by Jiaxiang Interactive in consideration for the business support, technical and consulting services provided by Homeland PRC;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Jiaxiang Interactive from Jilin Yutai at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Jiaxiang Interactive at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Homeland PRC may exercise such options at any time until it has acquired all equity interests and/or all assets of Jiaxiang Interactive; and
- obtain a pledge over the entire equity interest of Jiaxiang Interactive from Jilin Yutai as collateral security for all of Jiaxiang Interactive's payments due to Homeland PRC and to secure performance of Jiaxiang Interactive's obligations under the Contractual Arrangements.

The Group does not have any equity interest in Jiaxiang Interactive. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Jiaxiang Interactive and has the ability to affect those returns through its power over Jiaxiang Interactive and is considered to control Jiaxiang Interactive. Consequently, the Company regards Jiaxiang Interactive as an indirect subsidiary for accounting purpose.

Basis of preparation and presentation

Pursuant to the group reorganization detailed above, the Company became the holding company of the companies now comprising the Group on September 24, 2018. The Company and its subsidiaries have been under common control of the Founders throughout the Track Record Period or since their respective dates of incorporations/establishments, where there is a shorter period. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies, which conform with IFRSs, International Accounting Standards ("IASs"), amendments and the related Interpretations ("IFRICs") issued by the IASB which are effective for the accounting period beginning on January 1, 2018 throughout the Track Record Period except that the Group adopted IFRS 9 "Financial Instruments" on January 1, 2018 and applied IAS 39 "Financial Instruments: Recognition and Measurement" for the two years ended December 31, 2017. Specifically, the Group has adopted IFRS 15 "Revenue from Contracts with Customers" on a consistent basis throughout the Track Record Period. The accounting policies for revenue recognition under IFRS 15 and financial instruments under IFRS 9 are set out in note 3 below.

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and related amendments

From January 1, 2018, the Group has applied IFRS 9 *Financial Instruments*, Amendments to IFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2018. The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. Accordingly, the Group has applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amount as at January 1, 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

The directors of the Company reviewed and assessed the Group’s financial assets and financial liabilities as at January 1, 2018 based on the facts and circumstances that existed at that date. The application of IFRS 9 has had no material effect on classification and measurement of financial assets and financial liabilities of the Group as at that date.

As at January 1, 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. There is no change to the Group’s retained profits as at January 1, 2018 as the changes to the impairment calculation and measurement of financial instruments have minimal impact to the financial position of the Group as at that date.

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	NOTES	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance recognized under IFRS 9	New carrying amount under IFRS 9
				RMB'000	RMB'000	RMB'000
Trade and other receivables	16,17	Loans and receivables	Financial assets at amortized cost	11,857	—	11,857
Amounts due from shareholders	18	Loans and receivables	Financial assets at amortized cost	29,420	—	29,420
Cash and cash equivalents	19	Loans and receivables	Financial assets at amortized cost	150,984	—	150,984
				<u>192,261</u>	<u>—</u>	<u>192,261</u>
Trade and other payables	20	Financial liabilities at amortized cost	Financial liabilities at amortized cost	19,059	—	19,059
Amounts due to shareholders	21	Financial liabilities at amortized cost	Financial liabilities at amortized cost	7,260	—	7,260
Amounts due to related parties	21	Financial liabilities at amortized cost	Financial liabilities at amortized cost	71	—	71
				<u>26,390</u>	<u>—</u>	<u>26,390</u>

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs and interpretation have been issued but not yet effective:

IFRSs

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ⁵

Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after January 1, 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after January 1, 2021

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

⁵ Effective for annual periods beginning on or after January 1, 2020

Except as disclosed below, the directors of the Company anticipate that application of other new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB10,727,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB659,000 at December 31, 2018 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company assess that such changes would increase the consolidated assets and consolidated liabilities of the Group but would not result in a significant impact on the financial performance of the Group upon adoption of IFRS 16.

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of IFRS 16 as lessee and recognized the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company 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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (bargain purchase gain) at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The Historical Financial Information is presented as if the entities or businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to separate performance obligations
- Step 5: Recognize revenue when (or as) each performance obligation is satisfied

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

Control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Group's performance creates and enhances services that the customer controls as the Group performs; or
- the Group's performance does not create services with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Group generates revenue from self-developed mobile games and third-party mobile games as described below:

(a) *Self-developed mobile games*

For self-developed mobile games, the Group's revenue is derived from the sales of virtual tokens and private game room cards. Virtual tokens can be used by the customers to play mobile games of the Group or for purchasing virtual products, while as for the private game room cards, it allows them to set up their own virtual game rooms and send out invitations to other players. Revenue is recognized at a point in time when the customers obtain control of the services, being at the point the customers consume the virtual tokens and private game room cards to play the game. Such income, when first received, is deferred and recorded as deferred revenue under current liabilities until the consumption of those virtual tokens and private game room cards by the customers in the mobile games. The Group determines the consumption with reference to the quantity and fair value of virtual tokens/private game room cards being unutilized by the customers in the mobile games at each period end. The Group also estimate the players' unexercised right (the "breakage") based on historical consumption pattern and revenue for the expected breakage amount is recognized when the likelihood of the player exercising the remaining rights becomes remote. Revenue recognized in respect of operating the games is net of any discounts.

The Group takes primary responsibilities of game operation, including determining distribution channels and payment vendors, providing customer services, hosting game servers, if needed, and controlling games and services specifications and pricing. The Group considered itself as a principal.

Deferred revenue represents the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. The Group has elected not to adopt the terminology of "contract liability" under IFRS 15, as the standard does not prohibit an entity from using alternative description in the consolidated statement of financial position.

(b) *Third-party mobile games*

For third-party mobile games, the Group is only responsible for marketing, providing payment gateway for players to purchase the virtual tokens of respective games via the conversion from the purchased virtual tokens, namely diamonds, in the Group's platform and limited after-sale basic technical support to the paying players. The games distributed on the Group's platform are hosted, maintained, operated and updated independently by the relevant game developers and the Group does not have access to the data on the consumption details and the types of virtual tokens or goods in the third-party mobile games and does not have obligation for operation of the game. The Group considered itself as an agent in these arrangements and recognizes its revenue, net of the portion of sharing of revenue with the third party game developers at a point in time when the virtual diamonds in the platform are converted to the virtual tokens in respective games. The revenue related to virtual diamonds in the platform not yet converted to virtual tokens of respective games are deferred.

Other income

Advertising income is recognized at point in time when the advertisements placed by third parties platforms are displayed in the game interface.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including building held for use or for administrative purposes, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated residual value rates and useful lives of each class of property, plant and equipment held by the Group are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	5%	20 years
Furniture and equipment	0%-5%	3-5 years
Motor vehicles	5%	4-10 years
Leasehold Improvement	0%	5 years

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The estimated useful lives of each class of intangible assets held by the Group are as follows:

Classes	Useful lives
Computer software	2-4 years
Copyright of game software	3 years

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Financial instruments (before the adoption of IFRS 9 at January 1, 2018)

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables based on the nature, purpose of the financial assets and are determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivable (including trade and other receivables, amounts due from shareholders, and cash and cash equivalents) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payment.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost including trade and other payables, amounts due to shareholders and amounts due to related parties are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes a financial liability, when, and only when, the Group's obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Financial instruments (under IFRS 9)

Financial assets and financial liabilities are recognized when the group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Classification of financial assets:

Debt instruments that meet the following conditions are subsequently measured at amortized costs:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in the “other income” line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost, exchange differences are recognized in profit or loss and are included in the “foreign exchange gains(losses), net” line item.

Impairment of financial assets

The Group recognizes a loss allowance for ECL on investments in debt instruments that are measured at amortized cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are estimated individually for debtors with significant balances based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL (“12m ECL”). The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of investment grade as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

When there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the “foreign exchange gains (losses), net” line item in profit or loss.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, canceled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, i.e. state-managed retirement benefit scheme, are recognized as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before income tax” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that has been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

Contractual arrangements

The Group conducts all of the business through Jiaxiang Interactive, Jilin Xinze, Jilin Yuke and Beijing Yuke (collectively known as the “PRC Operating Entities”). Upon completion of the group reorganization as mentioned in note 1, the Group does not have any equity interest in the PRC Operating Entities. The directors of the Company assessed whether or not the Group has control over the PRC Operating Entities based on whether the Group has the power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. After assessment, the directors of the Company concluded that the Group has control over the PRC Operating Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial statements of the PRC Operating Entities in the Historical Financial Information during the Track Record Period.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group’s beneficiary rights of the results, assets and liabilities of the PRC Operating Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among the PRC Operating Entities and their legal equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Principal versus agent

The Group generates revenue from self-developed mobile games and third-party mobile games. The Group evaluates agreements with distribution channels and game developers in order to determine whether the Group acts as the principal in the arrangement with each party respectively, which it considers in determining if relevant revenue should be reported gross or net of the predetermined amount of the proceeds shared with them.

The determination of whether to record the revenue gross or net is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; (v) has involvement in the determination of product and service specifications. The assessment is performed for all of the Group’s mobile games.

For self-developed mobile games, the Group takes primary responsibilities of game operation, providing customer services, hosting game servers, if needed, and controlling games and services specifications and pricing. The Group considered itself as a principal in these arrangements. Accordingly, the Group records the mobile games revenue received through the third parties on a gross basis. Commissions paid to distribution channels are recorded as cost of sales.

For third-party mobile games, the Group is only responsible for marketing, providing payment gateway for players to purchase the virtual tokens of respective games via the conversion of virtual tokens, namely diamonds, in the Group's platform and limited after-sale basic technical support to the paying players. The games distributed on the Group's platform are hosted, maintained, operated and updated independently by the game developers and the Group does not have access to the data on the consumption details and the types of virtual tokens or goods in the third-party mobile games and does not have obligation for operation of the game. The Group considered itself as an agent in these arrangements and recognizes its revenue, net of the portion of sharing of revenue with the third party game developers.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are addressed below.

Estimation of value of unutilized virtual tokens and private game room cards in the Group's game development

As described in note 3, the Group recognizes revenue based on the consumption of virtual tokens and private game room cards which is estimated with reference to the quantity of unutilized virtual tokens and private game room cards at each period end and how much the virtual tokens/private game room cards worth.

The determination of the value of unutilized virtual tokens and private game room cards is based on the Group's best estimate that has taken into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments as a result of new information will be accounted for prospectively as a change in accounting estimate.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents game development and operation income from sales of virtual tokens and private game room cards. The Group's operating activities are attributable to a single operating segment focusing on development and operation of mobile games in the PRC. This operating segment has been identified on the basis of internal management reports, prepared in accordance with the

relevant accounting principles and financial regulations applicable in the PRC which conform with IFRSs, that are regularly reviewed by the chief operating decision maker (“CODM”), Mr. Wu, the chief executive officer of the Group, for the purpose of allocating resources and assessing its performance. The CODM reviews the financial results of the Group as a whole for performance assessments. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue is recognized at a point in time when the customers obtain control of the services, being at the point the customers consume the virtual tokens and private game room cards in self-developed mobile games or the customers converted the virtual tokens in the platform to the virtual goods in the relevant third-party mobile games.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
- Self-developed mobile games			
<i>Virtual tokens</i>	51,946	149,825	199,302
<i>Private game room cards</i>	—	111,926	213,149
- Third-party mobile games	—	—	27,079
	<u>51,946</u>	<u>261,751</u>	<u>439,530</u>

The Group has a large number of customers, no revenue from any individual customer exceeded 10% or more of the Group's revenue during the Track Record Period.

Geographical information

During the Track Record Period, the Group operated within one geographical segment because all of its revenue from continuing operation was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

6. COST OF SALES

Cost of sales is analyzed as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Employee benefit expenses	2,984	22,416	41,303
Commissions and fees charged by distribution channels and payment vendors	2,944	9,335	41,209
Server-related and technical support fees	2,753	17,234	17,245
Depreciation and amortization	473	2,553	3,460
Others	161	155	91
	<u>9,315</u>	<u>51,693</u>	<u>103,308</u>

7. OTHER INCOME

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Government subsidies (note a)	—	580	3,755
Interest income	15	232	663
Advertising income	—	—	691
Others	26	—	—
Total	<u>41</u>	<u>812</u>	<u>5,109</u>

Note:

- (a) Government subsidies mainly represent various industry-specific subsidies granted by the government authorities to subsidize the research and development costs already incurred by the Group during the course of its business, as well as government incentives to reward the Group's effort for the technological innovation and support to the local economy with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.

8. INCOME TAX EXPENSE

The income tax expense of the Group during the years ended December 31, 2016, 2017 and 2018 is analyzed as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current income tax	5,866	21,933	36,606

PRC Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of operation in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended December 31, 2016, 2017 and 2018, based on the existing legislation, interpretations and practices in respect thereof.

Jiaxiang Interactive qualified as a "Double Soft Enterprise" ("DSE") under the Corporate Income Tax Law in 2016. Therefore, according to relevant tax regulations, Jiaxiang Interactive is exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2016, the first year of profitable operation. Therefore, the actual income tax rate for Jiaxiang Interactive was nil, nil and 12.5% for the years ended December 31, 2016, 2017 and 2018, respectively.

Jilin Xinze and Jilin Yuke qualified as "High and New Technology Enterprises" ("HNTE") under the Corporate Income Tax Law in 2017 and September 14, 2018. According to the CIT law, Jilin Xinze and Jilin Yuke will be both entitled to a preferential income tax rate at 15% for three years starting from 2017 and 2018, respectively, if the criteria of HNTE are met each year. For the year ended December 31, 2016, the Group still applied the tax rate of 25% to accrue for the CIT of both subsidiaries and the 25% tax rate was further applied on Jilin Yuke for the year ended December 31, 2017.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Jilin Xinze has claimed such Super Deduction in ascertaining its tax assessable profits for the year ended December 31, 2017 and 2018.

The income tax expense for the years ended December 31, 2016, 2017 and 2018 can be reconciled to the profit before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before income tax	30,103	154,677	253,139
Tax at income tax rate of 25%	7,526	38,669	63,285
Tax effect of expenses not deductible for tax purpose	1,283	2,082	4,135
Effect of Super Deduction	—	(456)	(9,569)
Effect of tax exemptions/concession.	(2,943)	(18,362)	(21,245)
Income tax expense	<u>5,866</u>	<u>21,933</u>	<u>36,606</u>

Under the CIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB197,826,000 as at December 31, 2018 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

9. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income has been arrived at after charging:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Operating lease charges in respect of land and buildings . . .	600	1,667	2,364
Auditors' remuneration	8	166	328
Depreciation and amortization	473	2,553	3,630
Loss on disposals of property, plant and equipment	—	—	53
Directors' emoluments (note 11).	218	1,720	2,443
Other staff cost:			
Salaries and other benefits in kind	3,819	29,930	52,837
Retirement benefit costs	422	3,099	4,888
Total staff costs	<u>4,459</u>	<u>34,749</u>	<u>60,168</u>

10. DIVIDENDS

The interim dividends declared by two of the Company's subsidiaries, Jilin Xinze and Jilin Yuke, to their then shareholders during the year ended December 31, 2017 amounted to RMB30,869,000 and RMB15,301,000 respectively. Among which, amounts of RMB21,130,000 and RMB15,301,000 were paid to shareholders of Jilin Xinze and Jilin Yuke, respectively, while RMB9,739,000 was net off with amounts due from shareholders of Jilin Xinze.

During the year ended December 31, 2018, the Company's subsidiaries, Jiaxiang Interactive, Jilin Xinze and Jilin Yuke declared and paid interim dividend amounted to RMB74,000,000, RMB15,000,000 and RMB40,000,000, respectively, to their shareholders immediately before the Acquisition.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

No dividend is declared by the Company since its incorporation.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) *Directors' emoluments*

Mr. Wu, Mr. Jiang and Mr. Su were appointed as the executive directors of the Company on May 7, 2018, and Mr. Guo and Mr. Men were appointed as the executive directors of the Company on September 20, 2018.

The remuneration of each director for the year ended December 31, 2016 is set out as below:

Name of director	Fees	Salaries, bonus, allowance and benefits	Contributions to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Wu (note i)	—	152	2	154
Mr. Jiang (note ii)	—	—	—	—
Mr. Su (note iii)	—	—	—	—
Mr. Guo (note iv)	—	62	2	64
Mr. Men (note v)	—	—	—	—
Total	<u>—</u>	<u>214</u>	<u>4</u>	<u>218</u>

The remuneration of each director for the year ended December 31, 2017 is set out as below:

Name of director	Fees	Salaries, bonus, allowance and benefits	Contributions to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Wu (note i)	—	602	2	604
Mr. Jiang (note ii)	—	392	40	432
Mr. Su (note iii)	—	70	12	82
Mr. Guo (note iv)	—	243	2	245
Mr. Men (note v)	—	317	40	357
Total	—	1,624	96	1,720

The remuneration of each director for the year ended December 31, 2018 is set out as below:

Name of director	Fees	Salaries, bonus, allowance and benefits	Contributions to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Wu (note i)	—	602	2	604
Mr. Jiang (note ii)	—	376	48	424
Mr. Su (note iii)	—	397	48	445
Mr. Guo (note iv)	—	243	2	245
Mr. Men (note v)	—	667	58	725
Total	—	2,285	158	2,443

Notes:

- (i) Mr. Wu is also the chairman and the chief executive officer of the companies now comprising the Group and his emoluments disclosed above included those services rendered by him as the chief executive officer.
- (ii) Mr. Jiang is also the chief operating officer of the companies now comprising the Group and his emoluments disclosed above included those services rendered by him as the chief operating officer.
- (iii) Mr. Su is also the chief investment officer of the companies now comprising the Group and his emoluments disclosed above included those services rendered by him as the chief investment officer.

- (iv) Mr. Guo is also the chief product officer of the companies now comprising the Group and his emoluments disclosed above included those services rendered by him as the chief product officer.
- (v) Mr. Men is also the technical consultant of Jilin Xinze from February 2014 to June 2017, general manager of Beijing Yuke from March 2017 to September 2018 and general manager of Homeland PRC since September 2018 and his emoluments disclosed above included those services rendered by him as the technical consultant and general manager.

During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of them has waived or agreed to waive any emoluments during the Track Record Period.

(b) *Five highest paid individuals*

The 5 individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2016, 2017 and 2018 include one, three and two directors of the Company whose emoluments are reflected in the analysis presented above, respectively. The aggregate amounts of emoluments for the remaining four, two and three individuals for each of the years ended December 31, 2016, 2017 and 2018, respectively, are set out as below:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	491	860	1,535
Pension cost — defined contribution plans	24	12	32
Other employee benefits	15	9	—
Total	<u>530</u>	<u>881</u>	<u>1,567</u>

The number of the highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2016	2017	2018
	No. of employees	No. of employees	No. of employees
Directors:			
Nil to HK\$1,000,000	1	3	2
Non-directors:			
Nil to HK\$1,000,000	4	2	3
Total	<u>5</u>	<u>5</u>	<u>5</u>

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit attributable to owners of the Company	23,256	118,569	204,091
Weighted average number of ordinary shares in issue	723,070,000	724,231,140	812,425,950
Basic earnings per share (expressed in RMB cents per share)	<u>3.22</u>	<u>16.37</u>	<u>25.12</u>

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares of the Company, taking into account the shares issued and outstanding during the year and on the assumption that the Reorganization and the share sub-division (as disclosed in note 33) have been effective on January 1, 2016.

No diluted earnings per share is presented as the Group had no potential ordinary shares in issue during the Track Record Period.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture and equipment	Motor vehicles	Leasehold Improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
As at January 1, 2016	—	849	—	—	849
Additions	<u>7,563</u>	<u>580</u>	<u>—</u>	<u>—</u>	<u>8,143</u>
As at December 31, 2016 . .	7,563	1,429	—	—	8,992
Additions	<u>—</u>	<u>970</u>	<u>3,525</u>	<u>—</u>	<u>4,495</u>
As at December 31, 2017 . .	7,563	2,399	3,525	—	13,487
Additions	<u>—</u>	<u>1,449</u>	<u>—</u>	<u>1,546</u>	<u>2,995</u>
Disposals	<u>—</u>	<u>(2)</u>	<u>(427)</u>	<u>—</u>	<u>(429)</u>
As at December 31, 2018 . .	<u>7,563</u>	<u>3,846</u>	<u>3,098</u>	<u>1,546</u>	<u>16,053</u>
Depreciation					
As at January 1, 2016	—	849	—	—	849
Provided for the year	<u>60</u>	<u>30</u>	<u>—</u>	<u>—</u>	<u>90</u>
As at December 31, 2016 . .	60	879	—	—	939
Provided for the year	<u>359</u>	<u>346</u>	<u>190</u>	<u>—</u>	<u>895</u>
As at December 31, 2017 . .	419	1,225	190	—	1,834
Provided for the year	<u>359</u>	<u>649</u>	<u>492</u>	<u>172</u>	<u>1,672</u>
Disposals	<u>—</u>	<u>—</u>	<u>(39)</u>	<u>—</u>	<u>(39)</u>
As at December 31, 2018 . .	<u>778</u>	<u>1,874</u>	<u>643</u>	<u>172</u>	<u>3,467</u>
Carrying values					
As at December 31, 2016 . .	<u>7,503</u>	<u>550</u>	<u>—</u>	<u>—</u>	<u>8,053</u>
As at December 31, 2017 . .	<u>7,144</u>	<u>1,174</u>	<u>3,335</u>	<u>—</u>	<u>11,653</u>
As at December 31, 2018 . .	<u>6,785</u>	<u>1,972</u>	<u>2,455</u>	<u>1,374</u>	<u>12,586</u>

The carrying amount of owner-occupied leasehold land and buildings, situated in the PRC includes both the leasehold land and buildings elements, as in the opinion of the directors of the Company, allocation of the carrying amount between the leasehold land and buildings elements cannot be made reliably.

14. INTANGIBLE ASSETS

	Computer software	Copyright of game software	Total
	RMB'000	RMB'000	RMB'000
Cost			
As at January 1, 2016	—	—	—
Additions	—	4,600	4,600
As at December 31, 2016	—	4,600	4,600
Additions	158	1,129	1,287
As at December 31, 2017	158	5,729	5,887
Additions	92	—	92
As at December 31, 2018	250	5,729	5,979
Amortization			
As at January 1, 2016	—	—	—
Charge for the year	—	383	383
As at December 31, 2016	—	383	383
Charge for the year	6	1,652	1,658
As at December 31, 2017	6	2,035	2,041
Charge for the year	86	1,872	1,958
As at December 31, 2018	92	3,907	3,999
Carrying values			
As at December 31, 2016	—	4,217	4,217
As at December 31, 2017	152	3,694	3,846
As at December 31, 2018	158	1,822	1,980

15. LOAN TO AN EMPLOYEE

The loan to an employee represents the housing loan advanced to an employee. The loan is unsecured, interest-free and repayable in 3 years by December 25, 2021.

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loan to an employee	—	—	1,900

16. TRADE RECEIVABLES

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade receivables	2,234	9,674	22,387
Less: impairment provision	—	—	—
Total	<u>2,234</u>	<u>9,674</u>	<u>22,387</u>

Trade receivables were composed of the receivables from distribution channels or payment vendors. The credit terms of trade receivables granted to the distribution channels or payment vendors are usually 0 to 60 days. The Group is of the opinion that the credit risks of these receivables are minimal as these are from creditworthy distribution channels or payment vendors with no history of defaults. No impairment is made for trade receivables during the Track Record Period. Ageing analysis of trade receivables presented based on date of invoices is as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
0-30 days	2,234	8,861	21,768
31-60 days	—	813	619
Total	<u>2,234</u>	<u>9,674</u>	<u>22,387</u>

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not changed during the Track Record Period.

17. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Prepayment for advertisement and promotion fees (note a) . .	5,410	6,517	21,525
Prepaid listing expenses	—	—	2,779
Deferred issue costs	—	—	4,548
Account balance on Alipay (note b)	1,170	2,183	813
Prepayment for server-related fees	40	903	595
Receivables for advertising income	—	—	725
Advances to employees	833	1,324	4,679
Prepayment for rental fees	230	491	1,227
Prepayment for trademark fee	—	—	1,000
Others	49	346	987
Total	<u>7,732</u>	<u>11,764</u>	<u>38,878</u>

Note:

- (a) Included in this amount was a prepaid promotion fee, amounting RMB5,410,000, to Changchun Wenqiang Technology Co., Ltd. ("CWT"). The prepayment was made in 2015, but the promotion events were delayed due to operating issue of CWT. The Group fully recovered this amount on July 13, 2018. As at December 31, 2018, this amount mainly consisted of prepayments to advertising agencies for organizing promotion events on local television channels and online media platforms.
- (b) Account balance on Alipay represents sales proceeds paid by players to the Group through Alipay which have been settled but yet transferred from the Group's Alipay account to bank accounts. The Group is of the opinion that the credit risks of the account balance on Alipay are minimal as Alipay is a creditworthy payment vendors with no history of defaults. No impairment is made for account balance on Alipay during the Track Record Period.

The Company

	As at
	December 31, 2018
	RMB'000
Deferred issue costs	4,548
Prepaid listing expenses	2,779
Others	<u>27</u>
Total	<u>7,354</u>

18. AMOUNTS DUE FROM SHAREHOLDERS

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Shareholders			
Mr. Jiang (note a)	11,195	17,280	—
Mr. Su (note b)	8,719	7,380	—
Mr. Wu (note c)	2,481	4,502	—
Mr. Men (note d)	—	258	—
Mr. Guo (note e)	6	—	—
Total	<u>22,401</u>	<u>29,420</u>	<u>—</u>

For the three years ended December 31, 2016, 2017 and 2018, the amounts of payments collected by the Founders on behalf of the Group in connection with the sales proceeds received from the customers through the distribution channels and payment vendors were RMB17.2 million, RMB12.8 million and nil, respectively.

For the three years ended December 31, 2016, 2017 and 2018, the amounts of payments made by the Founders on behalf of the Group were RMB12.2 million, RMB12.8 million and nil, respectively. Apart from the RMB3.9 million in connection to an addition of property, plant and equipment for the year ended December 31, 2016, the remaining payments are primarily for selling and marketing expenses of the Group.

Amounts due from shareholders (including payments collected and made by the Founders on behalf of the Group) are of non-trade nature, unsecured, interest-free and payable on demand. All above balances were settled in 2018.

Notes:

- (a) Mr. Jiang is one of the Founders of the Group. The maximum balances outstanding for the years ended December 31, 2016, 2017 and 2018 were RMB11,195,000, RMB30,507,000 and RMB30,518,000 respectively.
- (b) Mr. Su is one of the Founders of the Group. The maximum balances outstanding for the years ended December 31, 2016, 2017 and 2018 were RMB19,318,000, RMB10,736,000 and RMB10,736,000 respectively.
- (c) Mr. Wu is one of the Founders of the Group. The maximum balances outstanding for the years ended December 31, 2016, 2017 and 2018 were RMB2,481,000, RMB8,602,000 and RMB4,552,000 respectively.
- (d) Mr. Men is a shareholder of Jilin Yuke before December 26, 2017. The maximum balances outstanding for the year ended December 31, 2017 and 2018 were RMB300,000 and RMB569,000 respectively.
- (e) Mr. Guo is a shareholder of Jiexiang Interactive. The maximum balances outstanding for the years ended December 31, 2016, 2017 and 2018 were RMB8,000, RMB350,000 and RMB350,000 respectively.

19. CASH AND CASH EQUIVALENTS

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand.	22,591	150,984	218,195

All cash and cash equivalents are denominated in RMB, except for RMB801,000 are denominated in US\$ as at December 31, 2018.

20. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade payables.	31	228	—
Salary and staff welfare payables	1,437	10,635	18,242
Accrued promotion expenses	986	7,649	4,883
Other taxes payable	2,597	4,814	4,085
Accrued listing expenses and issue costs	—	—	824
Payable to game developers (note a)	—	—	4,762
Accrued advertisement expenses	253	6,029	600
Game platform acquisition payable	—	4,000	—
Consideration payable to non-controlling interest (note b)	—	4,196	—
Others	227	1,900	2,134
Total	<u>5,531</u>	<u>39,451</u>	<u>35,530</u>

Note:

- (a) As at December 31, 2018, the balance represents sale proceeds received from players of games for which the Group acts as distributor to be reimbursed to game developers, after deducting the commission income entitled by the Group calculated at a pre-determined rate, and refundable deposits received from game developers.
- (b) In December 2017, Jiexiang Interactive acquired 2% of the equity interest in Jilin Yuke from Online Tuyou, the non-controlling interest at a consideration of RMB4,196,000 and the amount was settled in 2018.

Payment terms with suppliers are mainly on credit within 30 days from the time when the goods and/or services are received from the suppliers. The ageing of trade payables is all within 30 days.

The Company

	As at December 31, 2018
	RMB'000
Accrued listing expenses and issue costs	824
Total	<u>824</u>

21. AMOUNTS DUE TO SHAREHOLDERS, RELATED PARTIES AND A SUBSIDIARY

The Group

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Shareholders			
Mr. Jiang	920	5,990	—
Mr. Men	—	158	—
Mr. Su	—	1,112	—
	<u>920</u>	<u>7,260</u>	<u>—</u>
Related parties			
Yu Guoqin (note a)	71	71	—
Weile Xingkong (Beijing) Network Technology Co., Ltd. (note b)	4,000	—	—
	<u>4,071</u>	<u>71</u>	<u>—</u>
Total	<u>4,991</u>	<u>7,331</u>	<u>—</u>

Amounts due to shareholders and related parties (including payments collected and made by the Founders on behalf of the Group) were of non-trade nature, except for Weile Xingkong (Beijing) Network Technology Co., Ltd.. All above balances are unsecured, interest-free and payable on demand.

Notes:

(a) Yu Guoqin is a close family member of Mr. Su.

- (b) Weile Xingkong (Beijing) Network Technology Co., Ltd. was a related company of the Group in 2016 as it was controlled by the Founders. However, given that the Founders disposed all of their shares in Weile Xingkong (Beijing) Network Technology Co., Ltd. to an independent third party on December 21, 2017, this company was no longer a related company of the Group as at December 31, 2017 and 2018. The balance as at December 31, 2016 arises from purchases of the copyright of the game software in 2016 (Details are set out in note 25).

The Company

	As at December 31, 2018
	<u>RMB'000</u>
Subsidiary	
Jiaxiang Interactive	13,569
Total	<u>13,569</u>

The amount due to a subsidiary is of non-trade nature, unsecured, interest-free and payable on demand.

22. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the customers for the Group's mobile games in the forms of prepaid virtual tokens and private game room cards, for which the related services had not been rendered as at December 31, 2016, 2017 and 2018. As the unsatisfied performance obligations will be recognized as revenue within one year, therefore, the deferred revenue is recognized as current liability.

	Virtual tokens	Private game room cards	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2016	1,696	—	1,696
Sales Proceeds, net of tax	55,355	—	55,355
Revenue recognized during the year	<u>(51,946)</u>	<u>—</u>	<u>(51,946)</u>
As at December 31, 2016	5,105	—	5,105
Sales Proceeds, net of tax	153,544	139,400	292,944
Revenue recognized during the year	<u>(149,825)</u>	<u>(111,926)</u>	<u>(261,751)</u>

	Virtual tokens	Private game room cards	Total
	RMB'000	RMB'000	RMB'000
As at December 31, 2017.....	8,824	27,474	36,298
Sales Proceeds, net of tax	244,401	198,100	442,501
Revenue recognized during the year.....	<u>(226,381)</u>	<u>(213,149)</u>	<u>(439,530)</u>
As at December 31, 2018.....	<u>26,844</u>	<u>12,425</u>	<u>39,269</u>

23. PAID-IN CAPITAL/SHARE CAPITAL AND RESERVE OF THE COMPANY

(a) Combined capital of the Group

For the purpose of the Historical Financial Information, before the completion of the group reorganization, the share capital shown on the consolidated statements of financial position as at December 31, 2016 and 2017 represented the sum of share capital of the following group entities:

	As at December 31,	
	2016	2017
	RMB'000	RMB'000
Jiaxiang Interactive	—	—
Jilin Xinze	<u>10,000</u>	<u>N/A</u>
Total	<u>10,000</u>	<u>—</u>

The paid-in capital of Jilin Xinze is eliminated and not shown above as it becomes a subsidiary of Jiaxiang Interactive since December 21, 2017.

(b) Share capital of the Company

The Company was incorporated in the Cayman Islands on May 7, 2018. The Company was authorized to issue a maximum of 50,000,000 shares with par value of US\$0.001 per share upon incorporation. On August 15, 2018, the Company subdivided all its issued and unissued shares with par value of US\$0.001 each into 100 shares of US\$0.00001 each. Following the completion of the share subdivision, the authorized share capital was altered to US\$50,000, divided into 5,000,000,000 shares of US\$0.00001 each.

Ordinary shares, issued and fully paid:

	<u>Number of shares</u>	<u>US\$</u>
As at May 7, 2018 (date of incorporation)	—	—
Issuance of shares on May 24, 2018	100	0.1
Effect of subdivision	9,900	—
Issuance of shares on August 16, 2018	<u>431,352,000</u>	<u>4,314</u>
As at December 31, 2018	<u>431,362,000</u>	<u>4,314</u>
		<u>RMB'000</u>
Equivalent to:		<u>27</u>

On May 24, 2018, the Company issued 100 ordinary shares with par value of US\$0.001 each to the Controlling Shareholders at US\$0.1 (equivalent to RMB0.66) which was divided into 10,000 shares of US\$0.00001 each following the completion of the share subdivision.

On August 16, 2018, a total of 431,352,000 shares with par value of US\$0.00001 each were allotted and issued at par to the offshore holding vehicle or nominee of each of the original shareholders of the Group, including the Founders, Mr. Guo, Mr. Men, Mr. Ding and Mr. Zhu.

(c) **Reserve of the Company**

Details of the movement in the Company's reserve are set out below:

	<u>Accumulated loss</u>
	<u>RMB'000</u>
Balance as at May 7, 2018 (date of incorporation)	—
Loss and total comprehensive expense for the period	<u>(7,066)</u>
Balance as at December 31, 2018	<u>(7,066)</u>

24. **RETIREMENT BENEFIT SCHEME**

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the years ended December 31, 2016, 2017 and 2018, the retirement benefit scheme contributions amounted to RMB426,000, RMB3,195,000, and RMB5,046,000 respectively. No forfeited contributions have been used to reduce the level of contributions during the Track Record Period.

25. RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) *Purchases of the copyright of game software*

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Weile Xingkong (Beijing) Network Technology Co., Ltd. (note i)	4,600	—	—

Note:

- (i) The copyright of the game software was priced according to an asset evaluation report issued by Beijing Exhibition Assets Appraisal Co., Ltd. on October 14, 2016, under future earnings evaluation method.

(b) *Key management personnel compensations*

The compensations paid or payable to key management personnel (including directors, chief executive officer and other senior executives) for employee services are shown below:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	816	4,458	8,409

26. MAJOR NON-CASH TRANSACTION

Save as disclosed in note 18 for the year ended December 31, 2017, dividends declared to shareholders of RMB9,739,000 was net off with amounts due from shareholders of Jilin Xinze (note 10).

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to related parties	Amounts due to shareholders	Dividends payables	Consideration		Total
				Accrued issue costs	payable to non- controlling interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	71	—	—	—	—	71
Financing cash flows	—	—	—	—	—	—
Acquisition of intangible assets	4,000	—	—	—	—	4,000
At December 31, 2016	4,071	—	—	—	—	4,071
Financing cash flows	—	1,309	(36,431)	—	—	(35,122)
Non-cash transaction	—	—	(9,739)	—	—	(9,739)
Transfer to other payable	(4,000)	—	—	—	—	(4,000)
Acquisition of non-controlling interest of a subsidiary	—	—	—	—	4,196	4,196
Dividends declared	—	—	46,170	—	—	46,170
At December 31, 2017	71	1,309	—	—	4,196	5,576
Financing cash flows	(71)	(1,309)	(129,000)	(4,340)	(4,196)	(138,916)
Deferred issue costs	—	—	—	4,548	—	4,548
Dividends declared	—	—	129,000	—	—	129,000
At December 31, 2018	—	—	—	208	—	208

28. OPERATING LEASE COMMITMENTS

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 1 to 5 years, and majority of lease agreements are renewable at the end of the lease period at prevailing market rates.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	554	986	2,146
In the second to fifth years	65	300	8,581
Total	<u>619</u>	<u>1,286</u>	<u>10,727</u>

29. DISPOSAL OF A SUBSIDIARY

Name of subsidiary disposed of	Buyer	Percentage of interest disposed of	Principal activity	Fair value of disposal proceeds	Date of completion
Beijing Yuke	Mr. Zhang hao	92%	Research and development service	RMB57,158	September 10, 2018

Analysis of assets and liabilities over which control was lost

Cash and cash equivalents	1,082
Receipt in advance	(1,025)
Total	<u>57</u>
Gain on disposal of a subsidiary	
Consideration included in other receivables	57
Net assets disposed of	(57)
Gain on disposal	<u>—</u>
Net Cash flow	
Cash consideration received	—
Less: bank balances and cash disposed of	(1,082)
	<u>(1,082)</u>

30. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital	Equity interest attributable to the Group as at			The date of this report	Principal activities	Notes
			December 31,					
			2016	2017	2018			
<i>Directly held:</i>								
Homeland Investment Co., Ltd ("Homeland BVI")	British Virgin Islands, May 7, 2018	US\$0.1	N/A	N/A	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>								
Homeland Entertainment & Technology Limited ("Homeland HK")	Hong Kong June 4, 2018	HK\$100	N/A	N/A	100%	100%	Investment holding	(a)
Homeland PRC	PRC, August 7, 2018	—	N/A	N/A	100%	100%	Software development	(a)
<i>Controlled through contractual arrangement:</i>								
Jiaxiang Interactive	PRC, August 31, 2015	—	92%	92%	100%	100%	Development, publication and operation of mobile games	(b)
Jilin Xinze	PRC, November 13, 2009	RMB10,000,000	100%	92%	100%	100%	Development, publication and operation of mobile games	(c)
Jilin Yuke	PRC, March 10, 2017	—	N/A	92%	100%	100%	Development, publication and operation of games	(d)
Beijing Yuke	PRC, March 28, 2017	—	N/A	92%	N/A	N/A	Software development	(e)

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or any time during the Track Record Period.

Notes:

- (a) No audited financial statements have been prepared for the Company, Homeland BVI, Homeland HK, Homeland PRC since their respective dates of incorporation/establishment as they have not carried out any business or there are no statutory audit requirements.

- (b) The statutory financial statements of Jiaxiang Interactive for the year ended December 31, 2016 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Xiamen Ye Hua Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. No audited financial statements for the year ended December 31, 2017 and 2018 have been prepared as there are no statutory audit requirements.
- (c) The statutory financial statements of Jilin Xinze for the year ended December 31, 2016 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Jilin Ren He Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. No audited financial statements for the year ended December 31, 2017 and 2018 have been prepared as there are no statutory audit requirements.
- (d) The statutory financial statements of Jilin Yuke for the year ended December 31, 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Jilin Ren He Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. No audited financial statements for the year ended December 31, 2018 have been prepared as there are no statutory audit requirements.
- (e) No audited financial statements of Beijing Yuke have been prepared since its date of establishment as there are no statutory audit requirements. Beijing Yuke was disposed to an independent third party in September 2018.

31. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued/paid-in share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

*Financial risk factors**Categories of financial instruments***The Group**

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables	48,396	192,261	—
Financial assets measured at amortized cost	<u>—</u>	<u>—</u>	<u>245,432</u>
Financial liabilities			
Financial liabilities measured at amortized cost	<u>6,459</u>	<u>26,390</u>	<u>23,931</u>

The Company

	As at December 31, 2018
	RMB'000
Financial assets	
Financial assets measured at amortized cost	<u>—</u>
Financial liabilities	
Financial liabilities measured at amortized cost	<u>13,569</u>

The Group is subject to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize the potential adverse effects on the financial performance of the Group. Risk management is carried out by the senior management of the Group and approved by the board of directors.

Market risk

Foreign exchange risk

The Group has certain cash and cash equivalents, trade receivables and amounts due from shareholders denominated in United States Dollar (“US\$”), and is exposed to foreign exchange risk arising from foreign currency exchange rate fluctuation, primarily with respect to US\$. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposure. Foreign exchange risk arises when future commercial transactions and recognized assets are denominated in a currency that is not the entity’s functional currency. The Group’s finance department is responsible for monitoring and managing the net position in each foreign currency.

The carrying amounts of the Group’s foreign currency denominated monetary assets at the end of the reporting period are as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
US\$	<u>2,732</u>	<u>6,558</u>	<u>946</u>

The functional currency of the entities comprising the Group is RMB, if US\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the year would have been approximately RMB137,000, RMB328,000 and RMB47,000 higher/lower, for the years ended December 31, 2016, 2017 and 2018, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in US\$.

In the management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Other than interest-bearing bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, amounts due from shareholders as well as trade and other receivables.

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and cash equivalents, the Group only transacts with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. No impairment is made during the Track Record Period.

Trade receivables at the end of each reporting period were due from the third-party games distribution channels and third-party payment vendors, such as Alipay and Tenpay, in cooperation with the Group. If the co-operative relationships with the distribution channels and third-party payment vendors are deteriorated or terminated; or if the distribution channels and third-party payment vendors alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the distribution channels and third-party payment vendors to ensure the effective credit control are in place. In view of the history of cooperation with the distribution channels and third-party payment vendors and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the distribution channels and third-party payment vendors is low, accordingly, no impairment is made during the Track Record Period.

For other receivables from third parties and shareholders, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables, accordingly, no impairment is made during the Track Record Period.

Upon adoption of IFRS 9, the Group considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period regarding to the other receivables from third parties, shareholders and cash and cash equivalents. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available. Forward-looking information considered includes debtor's credit rating and its business, financial or economic conditions which are expected to cause a significant decrease in debtor's ability to meet its obligation. The management has assessed that there has been no significant increase in credit risk since initial recognition and credit risk of default is insignificant, and therefore, no impairment has been recognized.

Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	<u>Less than 1 year</u>	<u>Carrying amount</u>
	RMB'000	RMB'000
As of December 31, 2016		
Trade and other payables	1,468	1,468
Amounts due to shareholders	920	920
Amounts due to related parties	4,071	4,071
Total	<u>6,459</u>	<u>6,459</u>
As of December 31, 2017		
Trade and other payables	19,059	19,059
Amounts due to shareholders	7,260	7,260
Amounts due to related parties	71	71
Total	<u>26,390</u>	<u>26,390</u>
As of December 31, 2018		
Trade and other payables	23,931	23,931
Total	<u>23,931</u>	<u>23,931</u>

The Company

As of December 31, 2018		
Amount due to a subsidiary	13,569	13,569
Total	<u>13,569</u>	<u>13,569</u>

Fair value

The fair values of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities measured at amortized costs approximate their fair values.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2018 and up to the date of this report.

33. EVENTS AFTER THE REPORTING PERIOD

On May 24, 2019, the Company subdivided all its issued and unissued ordinary share with par value of US\$0.00001 each into two ordinary shares with par value of US\$0.000005 each. Following the completion of this share subdivision, the authorized share capital of the Company was altered to US\$50,000 divided into 10,000,000,000 Shares with par value of US\$0.000005 each. The total number of issued shares in the Company increased from 431,362,000 Shares to 862,724,000 Shares.

On June 5, 2019, a special dividend of RMB177,000,000 was declared, conditional upon Listing, and payable to the registered shareholders of the Company as at incorporation, namely Mr. Wu, Mr. Jiang and Mr. Su, after Listing.

On June 6, 2019, a total of 79,276,000 shares were allotted and issued at par to an independent nominee appointed by the trustee of a Share Award Scheme, to act as the nominee of the Share Award Scheme and holds 79,276,000 award shares for the benefit of directors of the Company, key employees of the Group and other eligible participants pursuant to the Share Award Scheme as at the date of this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this Appendix does not form part of the accountants’ report on the historical financial information of the Group for the Track Record Period (the “Accountants’ Report”) prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this prospectus and the Accountant’s Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29(1) of the Listing Rules is to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 following the Global Offering or at any subsequent dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 as derived from the Accountants’ Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 per Share	
	RMB’000 (Note 1)	RMB’000 (Note 2)	RMB’000	RMB (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$1.35 per Offer Share	210,755	335,656	546,411	0.46	0.53
Based on an Offer Price of HK\$1.85 per Offer Share	210,755	469,565	680,320	0.58	0.66

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 have been calculated based on the audited consolidated net assets of the Group attributable to owners of the Company of RMB212,735,000 at December 31, 2018 as set out in Appendix I to this prospectus with an adjustment for intangible assets attributable to owners of the Company amounting to RMB1,980,000 at December 31, 2018.
- (2) The estimated net proceeds from the Global Offering are based on 314,000,000 Offer Shares at the indicative Offer Price of HK\$1.35 (equivalent to RMB1.19) and HK\$1.85 (equivalent to RMB1.63) per Offer Share, respectively, after deduction of underwriting fees and commissions and other related listing expenses expected to be incurred by the Company subsequent to December 31, 2018, and without taking into account of any shares (i) which may be issued under the Post-IPO Share Option Scheme or (ii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purpose of calculating the estimated net proceeds from the Global Offering, the amounts denominated in Hong Kong dollar have been converted into RMB at the exchange rate of HK\$1 to RMB0.8793, which was the exchange rate prevailing on June 6, 2019 with reference to the rate published by the People's Bank of China. No representation is made that the Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 per Share is arrived at on the basis that 1,176,724,000 Shares in issue including 862,724,000 existing ordinary Shares and 314,000,000 Offer Shares assuming that the Share subdivision which was completed on May 24, 2019 and the Global Offering had been completed on December 31, 2018 and without taking into account of any shares (i) which were issued under the Share Award Scheme and may be issued under the Post-IPO Share Option Scheme or (ii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amounts stated in Renminbi are converted into Hong Kong dollar at the rate of RMB0.8793 to HK\$1, which was the exchange rate prevailing on June 6, 2019 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate or any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(6) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company in the table above has not been adjusted to show the effect of the special dividend of RMB177,000,000 to the registered shareholders of the Company as at incorporation immediately upon Listing (the “Special Dividend”). The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after taking into account of the Special Dividend is set out below. The effect on per Share amount is determined based on 1,176,724,000 Shares in issue with details set out in note (3) above.

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 after taking into account of the Special Dividend	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 per Share after taking into account of the Special Dividend	
	RMB’000	RMB	HK\$
Based on an Offer Price of HK\$1.35 per Offer Share	369,411	0.31	0.36
Based on an Offer Price of HK\$1.85 per Offer Share	503,320	0.43	0.49

For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as above, taking into account the Special Dividend, the amounts stated in Renminbi are converted into Hong Kong dollar at the rate of RMB0.8793 to HK\$1, which was the exchange rate prevailing on June 6, 2019 with reference to the rate published by the People’s Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate or any other rates or at all.

B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PROFORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Homeland Interactive Technology Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Homeland Interactive Technology Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated June 18, 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at December 31, 2018 as if the proposed Global Offering had taken place at December 31, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended December 31, 2018, on which an accountants' report as set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at December 31, 2018 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 18, 2019

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V, a copy of the Memorandum and Articles of Association is available for inspection.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on June 5, 2019 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 Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Available for Inspection”.

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on June 5, 2019 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$50,000 divided into 10,000,000,000 shares of US\$0.000005 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for

such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall 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 (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to 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;
- (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 or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or 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 his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him 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 (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

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 thereat. 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 from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *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 of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies

Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special 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 such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of a 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 purchaser 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;
- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 *Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, 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.

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.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

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 registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman 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.

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 proxy(ies) or 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 he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the written requisition of two or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. If within 21 days of such deposit, the board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

2.9 Accounts and audit

The Directors shall cause to be 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 show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time 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 by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's 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 auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

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 in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. 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. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

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 in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse 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:

- (i) 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;

- (ii) the instrument of transfer is in respect of only one class of shares;
- (iii) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (iv) 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;
- (v) the shares concerned are free of any lien in favour of the Company; and
- (vi) 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, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 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, 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 or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register 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

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

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 Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

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 also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

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. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

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 sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a 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. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a

resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and 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 or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 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, 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 or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time 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).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 *Rights of minorities in relation to fraud or oppression*

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 *Procedure on liquidation*

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator

may, with the like sanction, 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 sanction and subject to the Companies Law, 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 Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, 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 May 7, 2018 under the Companies Law. 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.

3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law 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 Law 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:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (iv) writing-off the preliminary expenses of the company;
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (vi) 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 Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, 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 Law, 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 Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (ii) all sales and purchases of goods by the company; and
- (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law 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 Law 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 Law 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 Law 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 Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. 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.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (ii) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (a) on or in respect of the shares, debentures or other obligations of the Company; or
 - (b) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on May 7, 2018. We have established a principal place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Leung Suet Lun (梁雪綸) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our operations is subject to the Cayman Companies Law and to the Memorandum and Articles of Association. A summary of the certain aspects of the Cayman Islands company law and a summary of certain provisions of the Memorandum and Articles of Association is set out in “Summary of the Constitution of Our Company and Cayman Companies Law” in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US\$50,000, divided into 50,000,000 shares of US\$0.001 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On May 7, 2018, one share of par value of US\$0.001 was allotted and issued at par, credited as fully paid, to the initial subscriber and such Share was transferred at par to Mr. Wu on the same date.
- On May 24, 2018, a total of 99 shares of par value of US\$0.001 were allotted and issued at par, credited as fully paid to the Founders, of which 59 shares, 20 shares and 20 shares were allotted and issued to Mr. Wu, Mr. Jiang and Mr. Su, respectively.
- On August 15, 2018, we implemented a share subdivision whereby each existing issued and unissued ordinary share with par value of US\$0.001 each in the authorized share capital of our Company was subdivided into 100 ordinary shares with par value of US\$0.00001 each and the authorized share capital of our Company was altered to US\$50,000 divided into 5,000,000,000 shares with par value of US\$0.00001 each. The total number of issued shares in our Company increased from 100 shares to 10,000 Shares.
- On August 16, 2018, a total of 431,352,000 Shares were allotted and issued at par to the offshore holding vehicle or nominee (as the case may be) of each of the original shareholders of our Group, including the Founders, Mr. Guo, Mr. Men, Mr. Ding Chunlong and Mr. Zhu Huaming.

- On May 24, 2019, we implemented a share subdivision whereby each existing issued and unissued ordinary share with par value of US\$0.00001 each in the authorized share capital of our Company was subdivided into two ordinary shares with par value of US\$0.000005 each and the authorized share capital of our Company was altered to US\$50,000 divided into 10,000,000,000 Shares with par value of US\$0.000005 each. The total number of issued shares in our Company increased from 431,362,000 Shares to 862,724,000 Shares.
- On June 6, 2019, a total of 79,276,000 Shares were allotted and issued at par to Award Nominee, which Shares shall be held by Award Nominee for the benefit of certain directors and employees and other eligible participants pursuant to the Share Award Scheme.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

In addition, the following change in the share capital of our Company will take place after the date of this prospectus:

- Assuming that the Global Offering becomes unconditional, immediately following the completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme, the issued share capital of our Company will be US\$6,280, divided into 1,256,000,000 Shares of US\$0.000005 each, all fully paid or credited as fully paid and 8,744,000,000 Shares of US\$0.000005 each will remain unissued.

3. Resolutions in Writing of the Shareholders of Our Company Passed on June 5, 2019

Pursuant to the written resolutions passed by the Shareholders on June 5, 2019:

- (a) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (2) the Offer Price being fixed on the Price Determination Date and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the adoption of the Memorandum and Articles of Association which will come into effect upon Listing was approved;
 - (ii) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering; and
 - (iii) the proposed Listing was approved and our Directors were authorized to implement the Listing;

- (b) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the exercise of options which may be granted under the Post-IPO Share Option Scheme, (d) the Shares which were issued under the Share Award Scheme or (e) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (f) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme and Shares which were issued under the Share Award Scheme) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (c) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Applicable Period**”);
- (c) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase 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 Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme and Shares which were issued under the Share Award Scheme), such mandate to remain in effect during the Applicable Period; and
- (d) the general unconditional mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (c) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company’s share capital in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme and Shares which were issued under the Share Award Scheme); and

- (e) the rules of the Post-IPO Share Option Scheme, the principal terms of which are set forth in “D. Share Incentive Schemes — 1. Post-IPO Share Option Scheme” in this Appendix, were approved and adopted conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Post-IPO Share Option Scheme and (2) the commencement of trading of the Shares on the Main Board of the Stock Exchange, and our Directors were authorized to grant options to subscriber for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted pursuant to the Post-IPO Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Post-IPO Share Option Scheme.

4. Our Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the Listing. Please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountant’s Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) *Homeland BVI*

On May 7, 2018, Homeland BVI was incorporated in the BVI as a limited liability company and is authorized to issue a maximum of 50,000 shares of one class of US\$0.001 par value each. On June 5, 2018, one share of par value of US\$0.001 was allotted and issued at par, credited as fully paid, to our Company.

(b) *Homeland HK*

On June 4, 2018, Homeland HK was incorporated in Hong Kong with an issued capital of HK\$100 comprising of 100 ordinary shares, which was allotted and issued to Homeland BVI on June 4, 2018.

(c) *Homeland PRC*

On August 7, 2018, Homeland PRC was established in the PRC as a limited liability company with a registered capital of RMB10,000,000, which is held as to 100% by Homeland HK.

(d) *Jilin Yuke*

On March 10, 2017, Jilin Yuke was established in the PRC as a limited liability company with a registered capital of RMB10,000,000.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies listed on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more 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 in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on June 5, 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any Shares to be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme and Shares which were issued under the Share Award Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose

of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

(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 a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a 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 effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), 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.

(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. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 1,256,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted pursuant to the Post-IPO Share Option Scheme, could accordingly result in up to approximately 125,600,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the 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 falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, the Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- a) the exclusive business cooperation agreement dated September 24, 2018 entered into between Homeland PRC and Jiaxiang Interactive, pursuant to which Jiaxiang Interactive agreed to engage Homeland PRC as its exclusive service provider and Jiaxiang Interactive shall pay to Homeland PRC a service fee that equals to 100% of the total consolidated profit of Jiaxiang Interactive and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, expenses, tax and other statutory contributions of Jiaxiang Interactive and its subsidiaries in any given year;
- b) the exclusive call option agreement dated September 24, 2018 entered into among Homeland PRC, Jilin Yutai and Jiaxiang Interactive, pursuant to which Jilin Yutai and Jiaxiang Interactive jointly and severally granted to Homeland PRC (exercise by itself or its designated person(s)) irrevocable options to purchase all or part of the equity interests in, and/or all or part of the assets of, Jiaxiang Interactive any time at the minimum purchase price permitted under PRC laws;
- c) the equity pledge agreement dated September 24, 2018 entered into among Homeland PRC, Jilin Yutai and Jiaxiang Interactive, pursuant to which Jilin Yutai agreed to pledge all of its equity interests in Jiaxiang Interactive to Homeland PRC to secure performance of all its obligations and the obligations of Jiaxiang Interactive under the agreements underlying the Contractual Arrangements, and under which Homeland PRC will be entitled to foreclose the pledged equity interests in Jiaxiang Interactive;
- d) the cornerstone investment agreement dated June 12, 2019 entered into among our Company, 337 Technology Limited 上上策科技有限公司, China Everbright Capital Limited and SBI China Capital Financial Services Limited, pursuant to which 337 Technology Limited 上上策科技有限公司 agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with HK\$22,608,000 at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee);
- e) the cornerstone investment agreement dated June 12, 2019 entered into among our Company, Smart Gamefactory Technology Limited, China Everbright Capital Limited and SBI China Capital Financial Services Limited, pursuant to which Smart Gamefactory Technology Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with the HK\$22,608,000 at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee);
- f) the cornerstone investment agreement dated June 12, 2019 entered into among our Company, Co-challengers Growth Limited, China Everbright Capital Limited and SBI

China Capital Financial Services Limited, pursuant to which Co-challengers Growth Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with the Hong Kong dollars equivalent to US\$14,246,438.64 (calculated at the exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited after the close of business on the business day immediately prior to the Price Determination Date) at the Offer Price (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee);

- g) the cornerstone investment agreement dated June 12, 2019 entered into among our Company, Tuyoo Online (HK) Limited 在線途遊(香港)有限公司, China Everbright Capital Limited and SBI China Capital Financial Services Limited, pursuant to which Tuyoo Online (HK) Limited 在線途遊(香港)有限公司 agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with the Hong Kong dollars equivalent to US\$2,000,000 (calculated at the exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited after the close of business on the business day immediately prior to the Price Determination Date) at the Offer Price (inclusive of brokerage, SFC transaction levy and Stock Exchange trading fee); and
- h) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:



No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.		9	Jilin Xinze	PRC	20534626	August 28, 2017	August 27, 2027
2.		9	Jilin Xinze	PRC	18414102	March 14, 2017	March 13, 2027
3.		9	Jilin Xinze	PRC	16183996	November 21, 2016	November 20, 2026
4.		9	Jilin Xinze	PRC	14834349	September 14, 2015	September 13, 2025
5.		9	Jilin Xinze	PRC	12403764	March 21, 2015	March 20, 2025
6.		9	Jilin Xinze	PRC	11455287	April 14, 2015	April 13, 2025

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
7.		9	Jilin Xinze	PRC	17126718	September 28, 2017	September 27, 2027
8.		9	Jilin Xinze	PRC	23618898	April 14, 2018	April 13, 2028
9.		41	Jilin Xinze	PRC	23618627	March 28, 2018	March 27, 2028
10.		9	Jilin Xinze	PRC	23618916	April 7, 2018	April 6, 2028
11.		9	Jilin Xinze	PRC	20112654	July 7, 2018	July 6, 2028
12.		28	Jilin Xinze	PRC	28539259A	January 21, 2019	January 20, 2029
13.		38	Jilin Xinze	PRC	28532344	December 7, 2018	December 6, 2028
14.		28	Jilin Xinze	PRC	28529392A	December 28, 2018	December 27, 2028
15.		9, 41	Jiaxiang Interactive	PRC	23406725	March 7, 2019	March 6, 2029
16.		9, 41	Jiaxiang Interactive	PRC	23406341	March 21, 2019	March 20, 2029
17.		9, 41	Jilin Xinze	PRC	31661292	April 14, 2019	April 13, 2029
18.		9, 38, 41, 42	Homeland HK	Hong Kong	304622689	January 30, 2019	August 2, 2028

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
1.		9	Jilin Xinze	PRC	19110504	February 17, 2016
2.		41	Jilin Xinze	PRC	20879717	August 4, 2016

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
3.	吉祥	9, 28, 35, 38, 41, 42, 45	Jilin Xinze	PRC	28529947, 28539944, 28542997, 28536051, 28532359, 28531564, 28532385	January 5, 2018
4.	吉祥棋牌	41	Jilin Xinze	PRC	20879917	August 4, 2016
5.	家乡棋牌	41	Jilin Xinze	PRC	21696571	October 26, 2016
6.	心悦	9, 41	Jilin Xinze	PRC	22029890, 22029690	November 24, 2016
7.	科乐	9, 41	Jilin Xinze	PRC	22946187, 22946829	February 27, 2017

Notes:

1. Class 9: Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.
2. Class 28: Games, toys and playthings; video game apparatus; gymnastic and sporting articles; decorations for Christmas trees.
3. Class 35: Advertising; business management; business administration; office functions.
4. Class 38: Telecommunications.
5. Class 41: Education; providing of training; entertainment; sporting and cultural activities.
6. Class 42: Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.
7. Class 45: Legal services; security services for the physical protection of tangible property and individuals; personal and social services rendered by others to meet the needs of individuals.

(b) *Domain Names*

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	jiaxianghudong.com	Jiaxiang Interactive	October 27, 2015	October 27, 2022
2.	jixiang.cn	Jilin Xinze	March 17, 2003	March 17, 2022
3.	weile.com	Jiaxiang Interactive	August 20, 1997	August 19, 2023

(c) *Copyrights*

As of the Latest Practicable Date, we have registered the following software copyrights which are material to our business:

No.	Title of software copyright	Registered owner	Registration number	Place of registration	First publication date	Registration date	Expiry date
1.	微樂吉林棋牌移動版遊戲軟件V3.4.6	Jiaxiang Interactive	2016SR004864	PRC	October 12, 2015	January 8, 2016	December 31, 2065
2.	微樂湖北棋牌移動版遊戲軟件V3.4.6	Jiaxiang Interactive	2016SR014938	PRC	October 2, 2015	January 21, 2016	December 31, 2065
3.	微樂廣東棋牌移動版遊戲軟件V3.4.6	Jiaxiang Interactive	2015SR286192	PRC	October 2, 2015	December 28, 2015	December 31, 2065
4.	微樂福建棋牌移動版遊戲軟件V3.4.6	Jiaxiang Interactive	2015SR258248	PRC	October 2, 2015	December 14, 2015	December 31, 2065
5.	微樂家鄉棋牌移動版遊戲軟件V3.4.6	Jiaxiang Interactive	2015SR291218	PRC	October 14, 2015	December 31, 2015	December 31, 2065
6.	微樂遼寧麻將移動版遊戲軟件V1.1.1	Jiaxiang Interactive	2016SR377845	PRC	October 19, 2016	December 16, 2016	December 31, 2066
7.	微樂龍江麻將移動版遊戲軟件V1.1.1	Jiaxiang Interactive	2016SR377843	PRC	November 28, 2016	December 16, 2016	December 31, 2066

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Title of software copyright	Registered owner	Registration number	Place of registration	First publication date	Registration date	Expiry date
8.	微樂浙江麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2016SR377884	PRC	November 17, 2016	December 16, 2016	December 31, 2066
9.	微樂江蘇麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2016SR377848	PRC	October 20, 2016	December 16, 2016	December 31, 2066
10.	微樂家鄉麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2016SR375254	PRC	December 7, 2016	December 15, 2016	December 31, 2066
11.	微樂吉林麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2016SR375260	PRC	December 9, 2016	December 15, 2016	December 31, 2066
12.	微樂湖南麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2016SR375168	PRC	December 6, 2016	December 15, 2016	December 31, 2066
13.	微樂安徽麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2016SR375174	PRC	November 30, 2016	December 15, 2016	December 31, 2066
14.	微樂捕魚千炮 版移動遊戲軟 件V1.1.1	Jiaxiang Interactive	2016SR333793	PRC	October 1, 2016	November 17, 2016	December 31, 2066
15.	微樂山東麻將 移動版遊戲軟 件V4.4.6	Jiaxiang Interactive	2017SR027258	PRC	December 21, 2016	January 26, 2017	December 31, 2066
16.	微樂武漢麻將 移動版遊戲軟 件V4.1.1	Jiaxiang Interactive	2017SR025962	PRC	September 22, 2016	January 25, 2017	December 31, 2066
17.	微樂廣東麻將 移動版遊戲軟 件V4.4.6	Jiaxiang Interactive	2017SR022906	PRC	November 24, 2016	January 23, 2017	December 31, 2066
18.	微樂捉雞麻將 移動版遊戲軟 件V2.1.1	Jiaxiang Interactive	2017SR021847	PRC	December 2, 2016	January 22, 2017	December 31, 2066

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Title of software copyright	Registered owner	Registration number	Place of registration	First publication date	Registration date	Expiry date
19.	微樂長春麻將 移動版V2.0.0	Jiaxiang Interactive	2017SR011641	PRC	September 20, 2016	January 12, 2017	December 31, 2066
20.	微樂鬥地主移 動版V2.0.0	Jiaxiang Interactive	2017SR006685	PRC	October 23, 2016	January 6, 2017	December 31, 2066
21.	微樂麻將界面 通用模塊系 統V1.0	Jiaxiang Interactive	2017SR119866	PRC	March 24, 2017	April 17, 2017	December 31, 2067
22.	微樂福建麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2017SR338233	PRC	June 21, 2017	July 3, 2017	December 31, 2067
23.	微樂雲南麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2017SR411071	PRC	July 15, 2017	July 31, 2017	December 31, 2067
24.	微樂江西麻將 移動版遊戲軟 件V1.1.1	Jiaxiang Interactive	2017SR411064	PRC	July 17, 2017	July 31, 2017	December 31, 2067
25.	微樂愛消除對 戰版遊戲軟 件V1.0	Jiaxiang Interactive	2017SR305448	PRC	June 8, 2017	June 23, 2017	December 31, 2067
26.	吉祥棋牌移動 版遊戲平 臺V3.0.2	Jilin Xinze	2015SR155614	PRC	July 1, 2014	August 12, 2015	December 31, 2064
27.	吉祥鬥地主移 動版遊戲軟 件V1.1.0	Jilin Xinze	2016SR200980	PRC	July 1, 2016	August 1, 2016	December 31, 2066
28.	吉祥麻將移動 版遊戲軟 件V1.1.0	Jilin Xinze	2016SR375182	PRC	July 11, 2016	December 15, 2016	December 31, 2066
29.	吉祥街機捕魚 移動版遊戲軟 件V1.1.1	Jilin Xinze	2017SR410387	PRC	July 19, 2017	July 31, 2017	December 31, 2067

No.	Title of software copyright	Registered owner	Registration number	Place of registration	First publication date	Registration date	Expiry date
30.	科樂鬥地主移動版遊戲軟件V1.1.1	Jilin Yuke	2017SR268513	PRC	June 2, 2017	June 15, 2017	December 31, 2067
31.	科樂黑龍江麻將遊戲軟件V1.0	Jilin Yuke	2017SR139938	PRC	July 18, 2017	April 25, 2017	December 31, 2067
32.	科樂吉林麻將遊戲軟件V1.0	Jilin Yuke	2017SR139933	PRC	July 13, 2017	April 25, 2017	December 31, 2067
33.	科樂長春麻將遊戲軟件V1.0	Jilin Yuke	2017SR139943	PRC	July 13, 2017	April 25, 2017	December 31, 2067

(d) *Patent*

As of the Latest Practicable Date, we have registered the following patent:

No.	Title of patent	Registered owner	Application No.	Application Date	Publication Date	Expiry Date
1.	遊戲中畫面保存系統和方法	Jiaxiang Interactive	2007101275321	June 28, 2007	July 22, 2009	June 27, 2027

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, designs, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and the Chief Executive of Our Company*

Immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required,

pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) *Interest in our Company*

Name of Director	Nature of interest	Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	
		Number of Shares held	Approximate percentage of shareholding interest ⁽¹⁾
Mr. Wu ⁽³⁾	Interest in controlled corporation	433,842,000	34.54%
Mr. Jiang ⁽⁴⁾	Interest in controlled corporation	144,614,000	11.51%
Mr. Su ⁽⁵⁾	Interest in controlled corporation	144,614,000	11.51%
Mr. Guo ⁽⁶⁾	Interest in controlled corporation	69,018,000	5.50%
Mr. Men ⁽⁷⁾	Interest in controlled corporation	17,662,000	1.41%

Notes:

- (1) The calculation is based on the total number of 1,256,000,000 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme).
- (2) All interests stated are long positions.
- (3) Mr. Wu holds the entire share capital of Wu Chengze Network Limited, which in turn directly holds 433,842,000 Shares. Accordingly, Mr. Wu is deemed to be interested in the 433,842,000 Shares held by Wu Chengze Network Limited.
- (4) Mr. Jiang holds the entire share capital of Jiang Ming Kuan Network Limited, which in turn directly holds 144,614,000 Shares. Accordingly, Mr. Jiang is deemed to be interested in the 144,614,000 Shares held by Jiang Ming Kuan Network Limited.
- (5) Mr. Su holds the entire share capital of Su Bo Network Limited, which in turn directly holds 144,614,000 Shares. Accordingly, Mr. Su is deemed to be interested in the 144,614,000 Shares held by Su Bo Network Limited.
- (6) Mr. Guo holds the entire share capital of Guo Shun Shun Network Limited, which in turn directly holds 69,018,000 Shares. Accordingly, Mr. Guo is deemed to be interested in the 69,018,000 Shares held by Guo Shun Shun Network Limited.
- (7) Mr. Men holds the entire share capital of Men Geng Network Limited, which in turn directly holds 17,662,000 Shares. Accordingly, Mr. Men is deemed to be interested in the 17,662,000 Shares held by Men Geng Network Limited.

(ii) *Interest in our subsidiary, Jiayang Interactive*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of securities held</u>	<u>Approximate percentage of shareholding interest</u>
Mr. Wu ⁽¹⁾	Interest in controlled corporation	RMB10,000,000 registered capital	100%
Mr. Jiang ⁽¹⁾	Other	RMB10,000,000 registered capital	100%
Mr. Su ⁽¹⁾	Other	RMB10,000,000 registered capital	100%

Note:

- (1) Jilin Yutai holds the entire registered capital of RMB10,000,000 in Jiayang Interactive. Jilin Yutai is held as to 92% by Mr. Wu and 8% by Mr. Guo. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiayang Interactive. Of the 92% interests held by Mr. Wu in Jilin Yutai, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su.

(b) *Interests of the Substantial Shareholders*

Save as disclosed in “Substantial Shareholders”, immediately following the completion of the Global Offering, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who 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 Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, 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 any other member of the Company:

(c) *Interests in Other Members of the Group*

So far as our Directors are aware, as of the Latest Practicable Date, the following persons (excluding us) are 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 any other member of our Group:

<u>Name of subsidiary</u>	<u>Name of shareholder</u>	<u>Registered capital</u>	<u>Approximate % of interest</u>
Jiayang Interactive	Jilin Yutai ⁽¹⁾	RMB10,000,000	100%

Note:

- (1) Jilin Yutai holds the entire registered capital of RMB10,000,000 in Jiayang Interactive. Jilin Yutai is held as to 92% by Mr. Wu and 8% by Mr. Guo. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiayang Interactive. Of the 92% interests held by Mr. Wu in Jilin Yutai, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su.

2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on June 5, 2019 and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years commencing from July 4, 2019. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, discretionary bonuses, allowances, benefits in kind, and contributions to pension schemes) paid to the Directors for the years ended December 31, 2016, 2017 and 2018 were approximately RMB218,000, RMB1,720,000 and RMB2,443,000, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2016, 2017 and 2018, by any of member of the Group to any of the Directors.

Pursuant to the service contracts entered into between our Company and each of our executive Directors and the appointment letters issued to each of the non-executive Directors and independent non-executive Directors, the basic annual salary payable to each of our Directors are as follows:

Director	Remuneration (per annum)
	<i>RMB'000</i>
Wu Chengze	1,000
Jiang Mingkuan	520
Su Bo	520
Guo Shunshun	520
Men Geng	520
Yu Ronald Patrick Lup Man	250
Zhang Yuguo	150
Hu Yangyang	150

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending December 31, 2019 to be approximately RMB3.5 million.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is 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 entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, 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 any other member of the Group;
- (c) none of the Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in “— E. Other Information — 5. Qualification of Experts” below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

- (f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. SHARE INCENTIVE SCHEMES

1. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted by our Shareholders on June 5, 2019 and its implementation is conditional on the Listing.

(a) *Purpose*

The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(b) *Who may participate*

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of our Company ("**Eligible Persons**").

(c) *Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes (the "**Other Schemes**") of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 125,600,000 Shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any Other Scheme of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting refresh, the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any Other Schemes of our Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any Other Schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed". The Board may, with the approval of the Shareholders in general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any Other Schemes of our Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) *Maximum entitlement of each individual*

No options shall be granted to any Eligible Person under the Post-IPO Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion.

Any further grant of options to an Eligible Person in excess of this 1% limit or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of our Company, his associates) abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) *Grant of options to connected persons*

Each grant of options to a Director (including an independent non-executive Director) of any member of our Group or associated company of our Company, chief executive or substantial shareholder of our Company, or any of their respective associates, under the Post-IPO Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Post-IPO Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Any Shareholder who is a connected person of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person may vote against such resolution subject to the requirements of the Listing Rules. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(f) *Acceptance of an offer of options*

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(g) *Exercise price*

Subject to any adjustment made as described in sub-paragraph (u) below, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

(h) *Duration of Share Option Scheme*

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

(i) *Time of vesting and exercise of options*

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option or such longer period as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Post-IPO Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time

to time by the Shareholders. If an option-holder is transferred to work in the PRC or another country and still continues to hold a salaried office or employment under a contract with a member of our Group or associated companies of our Company, and as a result of that transfer, he either (i) suffers a tax disadvantage in relation to his options (this being shown to the satisfaction of the Board); or (ii) becomes subject to restrictions on his ability to exercise his Options or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise because of the security laws or exchange control laws of the PRC or the country to which he is transferred, then the Board may allow him to exercise his options, vested or unvested, during the period starting three months before and ending three months after the transfer takes place.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(j) *Restriction on the time of grant of options*

A grant of options may not be made after inside information has come to our knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) 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 our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the 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 period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) *Ranking of the Shares*

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) *Restrictions on transfer*

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(m) *Rights on voluntary resignation*

If an option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(n) *Rights on termination of employment*

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

(o) *Rights on death, disability, retirement and transfer*

If an option-holder ceases to be an Eligible Person by reason of:

- (i) his death; or
- (ii) his serious illness or injury which in the opinion of the Board renders the option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or
- (iii) his retirement in accordance with the terms of an option-holder's contract of employment;
or

- (iv) his early retirement by agreement with the option-holder's employer; or
- (v) his employer terminating his contract of employment by reason of redundancy; or
- (vi) his employer ceasing to be a member of our Group or an associated company of our Company or under the control of our Company; or
- (vii) a transfer of the business, or the part of the business, in which the option-holder works to a person who is neither under the control of our Company nor a member of our Group or associated companies of our Company; or
- (viii) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Post-IPO Share Option Scheme to treat an option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Post-IPO Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (viii) above:

- (a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of our Group or associated companies; or
- (b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of our Group or associated companies; or
- (c) has disclosed trade secrets or confidential information of any member of our Group or associated companies; or
- (d) has entered into competition with any member of our Group or associated companies or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the option-holder has been notified of the determination).

(p) *Rights on cessation to be a director*

In the event that any director ceases to be a director of any member of our Group or associated companies, our Company shall, as soon as practicable thereafter, give notice to the relevant option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the option-holder ceases to be an Eligible Person. The option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(q) *Rights on a general offer*

In as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror (a “**Change of Control**”), the Board will notify every option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board’s notification to the option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

(r) *Rights on company reconstructions*

In the event of a compromise or arrangement, our Company shall give notice to all option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(s) *Rights on winding up*

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after we dispatch such notice to the Shareholders give notice thereof to all option-holders and each option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(t) *Lapse of option*

An option will lapse on the earlier of:

- (i) the expiry of the option period as determined by the Board; or
- (ii) the date on which an option-holder is in breach of sub-paragraph (l);;
- (iii) the expiry of the time provided for in the applicable rule where any of the circumstances provided in sub-paragraphs (m) to (s) above apply.

(u) *Effect of alteration to share capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by our Company to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial advisor selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes), except where such adjustment is made on a capitalization issue.

The capacity of the auditors or independent financial advisors is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisors shall be borne by our Company.

(v) *Cancellation of option*

Unless the option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

- (i) our Company pays to the option-holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board; or
- (ii) the Board offers to grant to the option-holder replacement options (or options under any other share option scheme of any member of our Group) or makes such arrangements as the option-holder may agree to compensate him for the loss of the option; or
- (iii) the Board makes such arrangements as the option-holder may agree to compensate him for the cancellation of the option.

(w) *Termination of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Post-IPO Share Option Scheme at any time without Shareholders' approval by resolving that no further options shall be granted under the Post-IPO Share Option Scheme and in such case, no new offers to grant options under the Post-IPO Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Post-IPO Share Option Scheme, or (ii) be cancelled in accordance with sub-paragraph (v).

(x) *Amendments to the Post-IPO Share Option Scheme*

The Board may amend any of the provisions of the Post-IPO Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any option-holder at that date), except that amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 17.03 of the Listing Rules must be approved by the Shareholders in general meeting.

Any amendments to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of the shareholders of our Company save where the amendments take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

Any amendments to the terms of options granted to an option-holder who is a substantial shareholder of our Company or an independent non-Executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Post-IPO Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

(y) *Conditions of the Post-IPO Share Option Scheme*

The adoption of the Post-IPO Share Option Scheme is conditional on:

- (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme; and
- (ii) the commencement of the dealings in the Shares on the Stock Exchange.

If the conditions above are not satisfied on or before the date following six months after the date the Post-IPO Share Option Scheme was conditionally adopted:

- (a) the Post-IPO Share Option Scheme shall forthwith determine;
- (b) any option granted or agreed to be granted pursuant to the Post-IPO Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Post-IPO Share Option Scheme or any option.

(z) *General*

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Post-IPO Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Post-IPO Share Option Scheme.

Details of the Post-IPO Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

2. **Share Award Scheme**

The following is a summary of the principal terms of the Share Award Scheme approved and adopted by our Board on June 6, 2019. The Share Award Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Share Award Scheme does not involve the grant of options by the Company to subscribe for new Shares.

(a) *Purpose*

The purpose of the Share Award Scheme is to (i) encourage or facilitate the holding of Shares by the participants selected by the Board in accordance with the terms of and entitled to receive a grant of share awards (“**Share Awards**”) under the Share Award Scheme (the “**Selected Participants**”); (ii) encourage and retain such individuals to work with the Group; and (iii) provide additional incentive for them to achieve performance goals.

(b) *Administration*

The Share Award Scheme shall be administered by the Board or any committee of the Board delegated with the power and authority by the Board to administer the Share Award Scheme (the “**Administration Body**”) in accordance with the rules of the Share Award Scheme (the “**Share Award Scheme Rules**”). The Board has the power to construe and interpret the Share Award Scheme Rules and the terms of the Share Awards granted under it. The decision of the Board as to all matters relating to the Share Award Scheme or its interpretation or effect shall be final and binding on all parties.

The Company shall appoint one or more trustee (“**Trustee**”) to assist with the administration and vesting of the Share Awards to be granted pursuant to the Share Award Scheme. The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration and vesting of Share Awards granted pursuant to the Share Award Scheme.

(c) *Duration*

Subject to any termination as may be determined by the Board pursuant to the Share Award Scheme Rules, the Share Award Scheme shall be valid and effective for a period of ten (10) years commencing on June 6, 2019, being the date on which the Share Award Scheme is adopted by the Company pursuant to the approval by the Board (the “**Adoption Date**”).

(d) *Scheme Limit*

There is no limit on (i) the number of Shares that can be subscribed for and/or purchased pursuant to the Share Award Scheme or (ii) the amount paid to the Trustee for the purpose of making such a subscription and/or purchase, save that, after Listing, (i) the maximum number of new Shares that can be allotted and issued for the purpose of the Share Award Scheme in any financial year is 3% of the total number of issued Shares at the relevant time; and (ii) the maximum number of new Shares that can be allotted and issued to a Selected Participant in any 12-month period is 1% of the total number of issued Shares at the relevant time.

As of the date of this prospectus, a total number of 79,276,000 Shares have been subscribed for or purchased pursuant to the Share Award Scheme. Please refer to the sub-section headed “(1) Details of the Share Awards granted under the Share Award Scheme” below for further details.

(e) *Operation of the Share Award Scheme*

Subject to provisions of the Share Award Scheme Rules, the Board may, from time to time at its absolute discretion:

- (i) select any individual who is an employee, officer, agent or consultant of the Company or any of its subsidiaries (the “**Subsidiaries**” and for the avoidance of doubt, including Jiaxiang Interactive and its subsidiaries) who is not a connected person (as defined or deemed to be the case under the Listing Rules) of the Company; and if the Administration Body so determines in its absolute discretion, any director (including executive and non-executive director) of the Company or any Subsidiary (“**Group A Participant**”) to be a Selected Participant and grant Share Awards to such Selected Participant which are to be satisfied by the new Shares to be subscribed by the Trustee under the Company’s available general mandate on the relevant grant date or under a specific mandate approved or to be approved by the Shareholders of the Company (the “**Pool A Share Awards**”); or
- (ii) select any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any Subsidiary (“**Group B Participant**”) to be a Selected Participant and grant Share Awards to such Selected Participant which are to be satisfied by existing Shares received by the Trustee from any Shareholder of the Company or purchased by the Trustee (either on-market or off-market) (the “**Pool B Share Awards**”).

For the purpose of the Share Award Scheme, a Group A Participant can also be a Group B Participant if so selected by the Board. If an individual is at the same time a Group A Participant and a Group B Participant, the Board may, at its absolute discretion, grant to such individual Pool A Share Awards or Pool B Share Awards or a combination of both.

Each grant of Share Awards to a connected person of the Company shall be subject to the prior approval of the independent committee comprising all the independent non-executive directors of the Company (other than any independent non-executive director who is a proposed grantee) and the Company shall comply with the relevant requirements under Chapter 14A of the Listing Rules for the issue and allotment of new Shares to connected persons of the Company pursuant to the Share Award Scheme.

After the Board has determined the number of Share Awards to be granted to a Selected Participant under the Share Award Scheme (the “**Grant Shares**”) and/or the Selected Participants, it shall notify the Trustee and (if the Selected Participants are identified) issue the grant letter to the Selected Participants. The Board may determine the number of Grant Shares without identifying the Selected Participants and the terms and conditions in respect of such Grant Shares at the time when the Board notifies the Trustee its determination of the number of Grant Shares. The identities of the Selected Participants and the terms and conditions of the Grant may be determined as and when the Board thinks fit, upon which the Board shall then issue grant letters to the Selected Participants. Upon receipt of the grant letter, the Selected Participants are required to confirm their acceptance of the grant by the latest acceptance date as specified in the relevant grant letters.

The Company may from time to time cause to be paid to the Trustee such amounts of funds from the Company's resources as the Board may in its absolute discretion determine, for the subscription of new Shares or the purchase of existing Shares (either on-market or off-market) and the payment of the transaction costs. In the case of subscription of new Shares, the Trustee shall subscribe for such number of new Shares as the Administration Body shall direct. In the case of purchase of existing Shares, the Trustee shall, subject to market conditions and at such time as the Trustee may at its absolute discretion determine, purchase existing Shares (either on-market or off-market).

The Trustee shall not be entitled to exercise the voting rights in respect of any Shares which are held under the trust established for the Share Award Scheme.

(f) *Restrictions*

In respect of the administration of the Share Award Scheme, the Company shall comply with all applicable disclosure regulations including, without limitation, those imposed by the Listing Rules and all applicable laws from time to time.

After the Listing, no payment shall be made to the Trustee, no instructions to subscribe for and/or purchase Shares shall be given to the Trustee pursuant to the Share Award Scheme and no grant shall be made to any Selected Participant in the following circumstances:

- (i) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive information has been published in accordance with the Listing Rules and the inside information provisions under Part XIVA of the SFO;
- (ii) on any day on which the Company's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless there are circumstances of the Company that fall within the exceptions under the Listing Rules; or
- (iii) in any circumstances which are prohibited under the Listing Rules or where the requisite approval from any applicable regulatory authorities has not been granted.

(g) *Rights of Selected Participants before vesting*

A Selected Participant shall not have any contingent interest in the Grant Shares which are referable to him until such Grant Shares have been vested as Shares in accordance with the Share Award Scheme Rules. The Trustee shall hold the Grant Shares awarded until they are vested to the relevant Selected Participants in accordance with the terms of the Share Awards.

(h) *Vesting of Awards*

The Board may from time to time while the Share Award Scheme is in force determine any vesting criteria or conditions for any Share Awards to be vested or credited. Such vesting criteria may be based on the passage of time after the grant of Share Awards, the satisfaction of specified performance criteria relating generally to the Company or particularly to a Selected Participant or the satisfaction of any other conditions as the Board may in its discretion determine for any Selected Participant and as set out in the relevant grant letter or agreement for and with the relevant Selected Participant. The Selected Participants shall be entitled to receive all cash, non-cash income, dividend or distributions and/or sale proceeds of non-cash and non-scrip distributions declared in respect of a Share referable to a record date on or after the vesting of the Share Awards.

In the event that a Selected Participant ceases to be a Group A Participant or a Group B Participant by reason of (i) his death; (ii) his disability; (iii) if he is an Employee, retirement, redundancy, severance or dismissal without cause; (iv) the Subsidiary by which such Selected Participant is employed or contracted with (as the case may be) ceases to be a Subsidiary; and (v) an order for the winding up of the Company is made or a resolution is passed for the voluntary winding up of the Company, then notwithstanding that the Selected Participant has ceased to be a Group A Participant or a Group B Participant, any unvested Share Awards shall continue to vest according to the vesting conditions of the Share Awards.

If an offer by way of takeover, merger, scheme of arrangement, share repurchase or otherwise is made to all the holders of Shares resulting in a change in control of the Company, and such offer becomes or is declared unconditional prior to the vesting of Share Awards in the Selected Participant, then notwithstanding the vesting conditions (if any) have not been satisfied, such Share Awards shall immediately so vest.

(i) *Lapse of Share Awards*

If at any time, a Selected Participant (i) ceases to be a Group A Participant or a Group B Participant by reason of such Selected Participant being terminated by the Company or any Subsidiary for cause, being summarily dismissed or tendering of his resignation; (ii) becomes bankrupt or has made any arrangement or composition with his creditors generally; (iii) has been convicted or found guilty of or liable for any criminal or civil offence or regulatory sanction involving his integrity or honesty; or (iv) has been charged, convicted or held liable for any offence under relevant securities laws, then any unvested Share Awards shall automatically lapse forthwith.

(j) *No Assignment of Share Awards*

Any Share Awards granted under the Share Award Scheme shall be personal to the Selected Participant in whom it is made and shall not be assignable.

(k) *Termination*

The Share Award Scheme shall terminate on the earlier of (i) the expiry of the period of ten (10) years from the Adoption Date; or (ii) such date of early termination as determined by the Board.

(1) *Details of the Share Awards granted under the Share Award Scheme*

In May 2019, we have appointed The Core Trust Company Limited (“**Trustee**”) as the trustee for the administration of the Share Award Scheme pursuant to the Share Award Scheme Rules. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Trustee and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. The Company had entered into trust deed with the Trustee in relation to its appointment as the trustee of the Share Award Scheme (the “**Trust Deed**”). The Trustee shall administer the Share Award Scheme in accordance with the Share Award Scheme Rules and the Trust Deed.

As of the date of this prospectus, a total of 79,276,000 Share Awards, representing approximately 6.31% of the Shares in issue on the Listing Date, were granted to five Pool B Selected Participants under the Share Award Scheme to recognize their contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

On June 6, 2019, 79,276,000 Shares, representing approximately 6.31% of the Shares in issue on the Listing Date, had been allotted and issued to the Award Nominee at par value for satisfaction of the 79,276,000 Share Awards granted to the Pool B Selected Participants up to the date of this prospectus.

Details of the Share Awards granted under the Share Award Scheme as at the date of this prospectus and details of the vesting period are set out in the table below:

<u>Name of grantees of Share Awards</u>	<u>Position held with our Group</u>	<u>Address</u>	<u>Date of Grant</u>	<u>Number of Shares represented by the Share Awards</u>	<u>Approximate percentage of shareholding immediately following the completion of the Global Offering</u>
<i>Director of our subsidiary</i>					
Wang Bing (王兵) ⁽¹⁾	Director of Jiaxiang Interactive and Chief Technology Officer	Room 903, Block 12, Yanghu Vanke Bailu County, Changsha City, Hunan Province, PRC	June 6, 2019	18,086,000	1.44%
<i>Senior management members of our Group</i>					
Gao Junfeng (高峻峰) ⁽²⁾	Chief Financial Officer and Joint Company Secretary	Room 2505, Building 7, Shimao East No. 1 Xincheng, Kunshan Development Zone, Jiangsu Province, PRC	June 6, 2019	18,840,000	1.50%

Name of grantees of Share Awards	Position held with our Group	Address	Date of Grant	Number of Shares represented by the Share Awards	Approximate percentage of shareholding immediately following the completion of the Global Offering
Yang Lu (楊璐) ⁽³⁾	Chief Communications Officer	3-701, Block 7, Shunchi Cheng, Nanchang Road East, Dongxi District, Luoyang City, Henan Province, PRC	June 6, 2019	18,840,000	1.50%
Li Wei (李偉) ⁽¹⁾	Advisor to Chief Executive Officer	Room 1403, Building 18, Entrance 6 Haixia International Community, Siming District, Xiamen City, Fujian Province, PRC	June 6, 2019	9,042,000	0.72%
Other employee					
Xing Donghai (邢東海) ⁽¹⁾	Vice President of data analysis and operations management	Room 2208, Block 18, Phase 1, Vanke City, 500 Tianfu Road, Jingyue District, Changchun City, Jilin Province, PRC	June 6, 2019	14,468,000	1.15%
GRAND TOTAL OF ALL GRANTEES				79,276,000	6.31%

Notes:

- (1) The Share Awards granted to each of these grantees shall be fully vested on the date ending 6 months after the Listing Date.
- (2) The Share Awards granted to this grantee shall be vested in accordance with the vesting schedule as follows:
 - (i) as to 50% of the Share Awards on the Listing Date; and
 - (ii) as to the remaining 50% of the Share Awards, on a quarterly basis starting from the first quarter after the Listing Date in four equal lots.
- (3) The Share Awards granted to this grantee shall be vested in accordance with the vesting schedule as follows:
 - (i) as to 50% of the Share Awards on the Listing Date; and

- (ii) as to the remaining 50% of the Share Awards, on the date falling six months after the Listing Date.
- (4) Save for the above, there are no other vesting conditions for the Share Awards granted before Listing.

The grantees of Share Awards as referred to in the table above are not required to pay for the grant of any Share Award under the Share Award Scheme, nor are they required to pay upon vesting of any Share Awards.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares to be issued upon the exercise of the options which may be granted under the Post-IPO Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please also refer to “Underwriting — Sponsor’s Independence”.

The fee payable to the Sole Sponsor is HK\$6,000,000 and is payable by our Company.

4. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
China Everbright Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Han Kun Law Offices	Legal advisers as to PRC laws
Maples and Calder (Hong Kong) LLP	Legal advisers as to Cayman Islands laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

6. Consents of Experts

Each of the experts as referred to in “— E. Other Information — 5. Qualification of Experts” above in this prospectus has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests 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 our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, 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 Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately HK\$50,000 and were payable by us.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

11. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
- (ii) 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;
- (iii) within the 24 months immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
- (iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
- (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (vi) our Company has no outstanding convertible debt securities or debentures; and
- (vii) there is no arrangement under which future dividends are waived or agreed to be waived.

- (b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.
- (c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

12. Particulars of the Over-allotment Option Grantor

Particulars of the Over-allotment Option Grantor as of the Latest Practicable Date are set out as follows:

Name:	Jiang Ming Kuan Network Limited
Description:	A company incorporated under the laws of the British Virgin Islands with limited liability
Registered office:	Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands
Beneficial Owner:	Jiang Mingkuan
Maximum number of Shares to sell pursuant to the Over-allotment Option:	19,468,000

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Simpson Thacher & Bartlett, ICBC Tower, 35/F, 3 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountants’ Report for the years ended December 31, 2016, 2017 and 2018 from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies comprising the Group for the years ended December 31, 2016, 2017 and 2018;
- (d) the report on the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman Islands legal adviser, summarizing certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (f) the legal opinions issued by Han Kun Law Offices, our PRC legal adviser, dated June 18, 2019 in respect of certain aspects of the Group and the property interests of the Group;
- (g) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

- (h) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus;
- (j) service contracts and letters of appointment referred to in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts and Letters of Appointment” in Appendix IV to this prospectus;
- (k) the rules of the Post-IPO Share Option Scheme;
- (l) the rules of the Share Award Scheme;
- (m) the Cayman Companies Law; and
- (n) the statement of particulars of the Over-allotment Option Grantor, details of which are set out in the section headed “Statutory and General Information — E. Other Information — 12. Particulars of the Over-allotment Option Grantor” in Appendix IV to this prospectus.



家鄉互動科技有限公司
Homeland Interactive Technology Ltd.