

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to March 2012 when QC Digital was established by Mr. Yang, the founder, chairman and executive Director of our Group. Since our inception, we have become an integrated mobile game developer and publisher in China and overseas with capabilities in publishing and operating high-quality and popular mobile games such as *The Marvelous Snail* (最強蝸牛), *Gumballs & Dungeons* (不思議迷宮) and *Lantern and Dungeon* (提燈與地下城). For further details regarding our business, see the section headed “Business” in this document.

Our Company was incorporated in the Cayman Islands on March 12, 2021. As part of the Reorganization and for the purpose of the [REDACTED], our Company became the ultimate holding company of our various subsidiaries and Consolidated Affiliated Entities. See the sub-section headed “– Reorganization” below.

KEY BUSINESS MILESTONES

The following sets out our major business development milestones since our inception and up to the Latest Practicable Date:

Year	Event
2012	<ul style="list-style-type: none">Establishment of QC Digital, commenced the operation of its game operation and development business
2016	<ul style="list-style-type: none"><i>Gumballs & Dungeons</i> (不思議迷宮), our landmark mobile game that has attracted high popularity overseas and facilitated our expansion into the international market, was officially launched in August 2016<i>Gumballs & Dungeons</i> was launched in the PRC in December 2016
2017	<ul style="list-style-type: none">Our mobile game, <i>Yu Gong 3</i> (愚公移山3—智叟的反擊), was officially launched in the PRC in January 2017<i>Gumballs & Dungeons</i> was nominated for the TGA 2017 Best Chinese Game
2018	<ul style="list-style-type: none">Our mobile game, <i>Ares Virus</i> (阿瑞斯病毒), was officially launched in China in August 2018 with over 16 million cumulative registered players as of June 30, 2021 and topped the iOS Paid Games List in China overnight after its official launch and maintained its top 10 ranking for over 30 days<i>Ares Virus</i> was awarded the Wandoujia Design Award—Game of the Year 2018, OPPO’s Best Spark Game 2018, “Best Reputation Game” by MEIZU, “Aurora Award” by Vivo and the “Best Independent Game” by Golden Tea Award
2019	<ul style="list-style-type: none"><i>The Marvelous Snail</i> (最強蝸牛) project has been officially set upEstablishment of QC HK, expanding our Company’s overseas business
2020	<ul style="list-style-type: none">Our landmark mobile game <i>The Marvelous Snail</i> was launched in the PRC in June 2020<i>The Marvelous Snail</i> received favorable feedbacks since its launch with more than RMB400 million gross billings generated within first month of launch and an average MAU of 4.4 million from June to December 2020<i>The Marvelous Snail</i> was launched in Hong Kong, Macau and Taiwan and topped the iOS and Google Play Top 10 Free Games Charts in Hong Kong and Taiwan, and obtained the ranking of No. 1 on the Google Play Games List in Hong Kong and iOS Bestseller Games List in Taiwan

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Year	Event
2021	<ul style="list-style-type: none"> <i>The Marvelous Snail</i> was awarded as the Outstanding Game of the Year for Storyline and Outstanding Game of the Year for Innovative Gameplay by Beijing International Game Innovation Conference and the Players’ Most Anticipated Game by Huawei AppGallery Nominated by the Game Publishers Association Publications Committee (GPC) of The China Audio-video and Digital Publishing Association (中國音數協遊戲工委)(“GPC”) for China’s Top 10 New Games and China’s Top 10 Games Development Teams <i>Lantern and Dungeon</i> (提燈與地下城) was launched in March 2021, with the number of active players reaching 1 million on the date it was launched; it was included in the iOS “Today” top games list in China for 38 times In June 2021, at the one year anniversary since <i>The Marvelous Snail</i> (最強蝸牛) was launched, we released the <i>Oriole</i> (黃鸝鳥) downloadable content of <i>The Marvelous Snail</i> (最強蝸牛), which has obtained the ranking of No. 6 on the iOS Bestseller Games List.

See the section headed “Business—Awards and Recognition” in this document for recognition for the quality and market reception of our games during the Track Record Period.

OUR MAJOR SUBSIDIARIES AND PRC CONSOLIDATED AFFILIATED ENTITIES

As of the Latest Practicable Date, we have three principal operating entities (including two PRC Consolidated Affiliated Entities and one operating subsidiary) which made material contributions to our financial results during the Track Record Period and/or are material to our operation. The corporate details of these principal operating entities are set forth below:

Date of Establishment	Name	Principal Business Activities	Place of Establishment
March 1, 2012	QC Digital	Publication and operation of games through mobile apps and websites	PRC
August 12, 2014	QC Cultural	Publication and operation of games through mobile apps and websites	PRC
October 10, 2019	QC HK	Game operation	Hong Kong

For further details of the above subsidiaries, please refer to the section headed “General information, reorganization and basis of presentation” in Appendix I to this document.

QC Digital

Establishment

QC Digital was incorporated in the PRC as a limited liability company on March 1, 2012 with an initial registered capital of RMB1 million. It was founded as to 99% by Mr. Yang and 1% by an Independent Third Party (the “Initial Shareholder”), respectively.

Early development

In May 2012, the Initial Shareholder and Mr. Huang, the chief executive officer and an executive Director of our Group, entered into an equity transfer agreement with the Initial Shareholder when Mr. Huang joined QC Digital, pursuant to which the Initial Shareholder transferred his equity interests in QC Digital at a consideration of RMB10,000. The transfer was determined based on arm’s length negotiation and was fully settled on May 22, 2012.

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Key shareholding changes of QC Digital prior to Reorganization

Prior to the Reorganization, QC Digital underwent several rounds of key shareholding change as follows:

- 1) To provide further capital for QC Digital’s business development, on August 26, 2013, Xiamen Sealand, an Independent Third Party and an investment fund established as a limited partnership under the laws of the PRC and managed by Xiamen Sealand Capital Nuts Investment Management Co., Ltd. (廈門國海堅果投資管理有限公司), entered into an investment agreement with Mr. Yang, Mr. Huang and QC Digital, pursuant to which, Xiamen Sealand subscribed in cash for 12.50% of the equity interest in QC Digital at the consideration of RMB5 million. The consideration was determined based on arm’s length negotiations between the parties with reference to the then valuation of QC Digital and was fully settled on September 4, 2013. Immediately after the capital injection, QC Digital was held by Mr. Yang, Xiamen Sealand and Mr. Huang as to approximately 86.62%, 12.50% and 0.88% respectively.
- 2) To provide further capital for QC Digital’s business development, on December 4, 2013, G-bits, a limited company incorporated under the laws of the PRC, the shares of which have been listed on the Shanghai Stock Exchange under the stock code: 603444, entered into an investment agreement with Mr. Yang, Xiamen Sealand, Mr. Huang and QC Digital, pursuant to which, G-bits subscribed in cash for 20.00% of the equity interest in QC Digital at the consideration of RMB10 million. The consideration was determined based on arm’s length negotiations between the parties and was fully settled on December 25, 2013. Immediately after the capital injection, QC Digital was held by Mr. Yang, G-bits, Xiamen Sealand and Mr. Huang as to approximately 69.30%, 20.00%, 10.00% and 0.70%, respectively.
- 3) As a shareholding restructuring of QC Digital, on March 1, 2015, pursuant to a share transfer agreement, Mr. Yang transferred approximately 1.53%, 2.23% and 2.00% equity interests in QC Digital to Mr. Huang, Mr. Wei and Mr. Lin, respectively, all being the then employees of the Company. Pursuant to the same share transfer agreement, Mr. Yang transferred approximately 6.72% equity interests in QC Digital to Mr. Ye, an individual investor who is an Independent Third Party, at a consideration of RMB6 million. The consideration was determined based on arm’s length negotiations between the parties and was fully settled in 2015. Upon completion of the share transfers, QC Digital was held by Mr. Yang, G-bits, Xiamen Sealand, Mr. Ye, Mr. Huang, Mr. Wei and Mr. Lin as to approximately 56.82%, 20.00%, 10.00%, 6.72%, 2.23%, 2.23% and 2.00%, respectively.
- 4) To increase the registered capital of QC Digital, on May 20, 2015, Xiamen Zhongke Dexiong Equity Investment Fund Partnership (Limited Partnership)* (廈門中科德興股權投資基金合夥企業 (有限合夥) (formerly known as Xiamen Zhonghang Dexiong Equity Investment Fund Partnership (Limited Partnership) (廈門中航德興股權投資基金合夥企業 (有限合夥))), a limited partnership established in the PRC on March 13, 2015 (“ZKDX”), an Independent Third Party and a professional investment institution established as a limited partnership incorporated under the laws of the PRC, entered into an investment agreement with, among others, Mr. Yang, Xiamen Sealand, QC Digital and Mr. Huang, pursuant to which, ZKDX subscribed in cash for approximately 10.16% of the equity interest in QC Digital at the consideration of RMB14 million. The consideration was determined based on arm’s length negotiations between the parties with reference to the then valuation of QC Digital and was fully settled on May 20, 2015. Immediately after the capital injection, QC Digital was held by Mr. Yang, G-bits, ZKDX, Xiamen Sealand, Mr. Ye, Mr. Huang, Mr. Wei and Mr. Lin as to approximately 51.05%, 17.97%, 10.16%, 8.98%, 6.04%, 2.00%, 2.00% and 1.80%, respectively.
- 5) To provide further capital for QC Digital’s business development, on July 12, 2019, G-bits entered into an investment agreement with, among others, Mr. Yang and QC Digital, pursuant to which, G-bits subscribed in cash to increase its equity interest in QC Digital to approximately 28.91% at the consideration of RMB80 million. The consideration was determined based on arm’s length negotiations between the parties considering the nature of the transaction as subscription of new shares and a

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valuation of approximately RMB600 million after the capital injection as agreed by G-bits and the Company and was fully settled on September 26, 2019. Immediately after the capital injection, QC Digital was held by Mr. Yang, G-bits, ZKDX, Xiamen Sealand, Mr. Ye, Mr. Huang, Mr. Wei and Mr. Lin as to approximately 41.21%, 28.91%, 8.81%, 7.79%, 5.23%, 4.77%, 1.74% and 1.56%, respectively.

- 6) In light of the prospect of QC Digital, on August 14, 2019, G-bits entered into a share transfer agreement with Xiamen Sealand, ZKDX, Mr. Yang, Mr. Huang, Mr. Wei, Mr. Lin, Mr. Ye and QC Digital, pursuant to which G-bits purchased 4.00% equity interest in QC Digital from each of Xiamen Sealand and ZKDX (8.00% in aggregate) for a total consideration of RMB40 million. The considerations were determined based on arm’s length negotiations between the parties considering the nature of the transaction as sales of existing shares without further capital injection and a valuation of approximately RMB500 million as agreed among G-bits, Xiamen Sealand and ZKDX and were fully settled on September 5, 2019. Immediately following the share transfers, QC Digital was held by Mr. Yang, G-bits, Mr. Ye, ZKDX, Mr. Huang, Xiamen Sealand, Mr. Wei and Mr. Lin as to approximately 41.21%, 36.91%, 5.23%, 4.81%, 4.77%, 3.79%, 1.74% and 1.56%, respectively.
- 7) In light of the prospect of QC Digital, on May 31, 2020, pursuant to a share transfer agreement, Ms. Wang Yunling (王雲玲) (“**Ms. Wang**”), an individual investor who is an Independent Third Party, purchased all equity interests in QC Digital held by ZKDX (representing 4.81% equity interests in QC Digital) with a total consideration of RMB28 million. The consideration was determined based on arm’s length negotiations between the parties with reference to the amount previously invested into QC Digital and was fully settled on July 13, 2020.
- 8) To optimize the shareholding structure of QC Digital and to incentivize employees, on December 17, 2020, Wofan Qihang, an employee shareholding platform established for the employees of QC Digital, subscribed 10.00% equity interests in QC Digital, increasing the registered share capital of QC Digital to RMB14,270,513. The considerations were determined based on the unaudited net assets of QC Digital at the time of the subscription and were fully settled on December 29, 2020. Immediately following the capital injection, QC Digital was held by Mr. Yang, G-bits, Wofan Qihang, Mr. Ye, Ms. Wang, Mr. Huang, Xiamen Sealand, Mr. Wei and Mr. Lin as to approximately 37.09%, 33.21%, 10.00%, 4.71%, 4.33%, 4.29%, 3.41%, 1.56% and 1.40%, respectively.
- 9) In order to capitalize the return on his investment, on April 19, 2021, Mr. Lin entered into a share transfer agreement with each of Mr. Yang, Mr. Liu, Mr. Huang, Mr. Wei and Mr. Zeng, pursuant to which, Mr. Lin transferred approximately 0.03%, 0.31%, 0.21%, 0.28% and 0.06% equity interests in QC Digital to Mr. Yang, Mr. Liu, Mr. Huang, Mr. Wei, Mr. Zeng, respectively, at a consideration of approximately RMB0.9 million, RMB9.4 million, RMB6.4 million, RMB8.5 million and RMB1.8 million respectively. The considerations were determined based on arm’s length negotiations among the parties and were fully settled on May 19, 2021.
- 10) In light of the prospect of the QC Digital, on April 21, 2021, Guangxi Tencent, Alibaba Lingxi and Shanghai Hode entered into a share transfer agreement with G-bits and QC Digital, pursuant to which each of Guangxi Tencent, Alibaba Lingxi and Shanghai Hode purchased approximately 3.37% equity interests in QC Digital from G-bits (10.11% in aggregate), at a consideration of approximately RMB101.15 million (RMB303.45 million in aggregate) respectively. The consideration was determined based on arm’s length negotiations among the parties and was fully settled on May 12, 2021. Immediately following the share transfers, QC Digital was held by Mr. Yang, G-bits, Mr. Ye, Mr. Huang, Xiamen Sealand, Mr. Wei, Mr. Lin, Ms. Wang, Wofan Qihang, Mr. Liu, Mr. Zeng, Guangxi Tencent, Alibaba Lingxi and Shanghai Hode as to approximately 37.12%, 23.10%, 4.71%, 4.51%, 3.41%, 1.85%, 0.50%, 4.33%, 10.00%, 0.31%, 0.06%, 3.37%, 3.37% and 3.37% respectively.
- 11) In order to capitalize the return on her investment, on May 18, 2021, Ms. Wang entered into a share transfer agreement with Mr. Ye, pursuant to which, Ms. Wang transferred approximately 4.33% equity

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interests in QC Digital to Mr. Ye, at a consideration of approximately RMB129.76 million. The considerations were determined based on arm’s length negotiations among the parties and were fully settled on May 26, 2021.

Following the shareholding changes as set out above, the shareholding structure of QC Digital was as follows:

<u>Name</u>	<u>Approximate percentage of equity interest in QC Digital</u>
Mr. Yang	37.12%
G-bits	23.10%
Wofan Qihang ⁽¹⁾	10.00%
Mr. Ye	9.03%
Mr. Huang	4.51%
Xiamen Sealand	3.41%
Mr. Wei	1.85%
Mr. Lin	0.50%
Mr. Liu	0.31%
Mr. Zeng	0.06%
Guangxi Tencent	3.37%
Alibaba Lingxi	3.37%
Shanghai Hode	3.37%
Total	<u>100.00%</u>

Notes:

- (1) As of the Latest Practicable Date, Wofan Qihang is held as to 67.20% by Mr. Huang, 20.00% by Mr. Liu and 12.80% by Mr. Zeng, respectively. Its general partner is Mr. Huang.
- (2) As of the Latest Practicable Date, Xiamen Sealand is managed by Xiamen Sealand Capital Nuts Investment Management Co., Ltd. (廈門國海堅果投資管理有限公司) which is owned as to 60% by Sealand Innovation Capital Co., Ltd. (國海創新資本投資管理有限公司), a wholly owned subsidiary of Sealand Securities Co., Ltd. (國海證券股份有限公司), a company listed on the Shenzhen Stock Exchange with the stock code: 000750. The single largest shareholder of Sealand Securities Co., Ltd. (國海證券股份有限公司) is Guangxi Investment Group Co., Ltd. (廣西投資集團有限公司), a state owned enterprise.

QC Cultural

QC Cultural is principally engaged in the publication and operation of games through mobile apps and websites and was jointly founded by Mr. Yang and Mr. Huang in the PRC on August 12, 2014. Shares of QC Cultural were transferred to QC Digital in 2017 pursuant to a share transfer agreement dated on November 20, 2017, entered into by Mr. Huang and QC Digital for a consideration of RMB1 million determined based on the registered capital at the time of transfer and a share transfer agreement dated on the same date, entered into by Mr. Yang and QC Digital for a consideration of RMB9 million determined based on the registered capital at the time of transfer.

QC HK

QC HK is principally engaged in game development and operation and was founded by QC Digital in Hong Kong on October 10, 2019.

On May 7, 2021, all shares in QC HK held by QC Digital have been transferred to Qingci Holding Limited for a consideration of USD841,263.05 determined based on the net asset value of QC HK as of March 31, 2021.

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OUR RELATIONSHIP WITH G-BITS

G-bits is a software company listed on the Shanghai Stock Exchange under the stock code: 603444 and well known within the industry, which specializes in creative planning, R&D, production and commercial operation of online games. According to G-bits’ 2021 interim report published on August 13, 2021, the largest shareholder of G-bits is Mr. Lu Hongyan, an independent third party to the Company, who holds approximately 30.10% equity interests in G-bits.

Mr. Yang had been employed by G-bits as a producer for more than six years prior to setting up the Company. As set out in the section headed “Key shareholding changes of QC Digital prior to Reorganization”, G-bits became a shareholder of the Company in 2013 as G-bits considered that investment in the Company presented a good business opportunity for financial returns. G-bits has nominated a director to the board of QC Digital in 2019 when QC Digital first established a board of directors to enhance its corporate governance, who did not participate in the day-to-day management and operation of the Group and have ceased to be a director of QC Digital in May 2021.

During the Track Record Period we have cooperated with G-bits, a strategic investor of us whom we consider to have extensive expertise and resources in the mobile game industry and successful track records in game development, publishing and operations which are beneficial to our business development, on several projects since 2012 including the operation of *Gumballs & Dungeons* (不思議迷宮) in Mainland China, *The Marvelous Snail* (最強蝸牛) in Hong Kong, Macau and Taiwan and provisions of administrative and marketing and promotion services. We expect to continue the cooperation with G-bits after [REDACTED], for further details of our cooperation with G-bits which would continue after [REDACTED] and the respective historical amount involved, please refer to the section headed “Connected Transactions” of this document.

To the best knowledge of the Company, other than being a shareholder of the Company, G-bits is independent from our Directors and is not a connected person of the shareholders of the Company which are corporate entities as of the Latest Practicable Date.

[REDACTED]

Onshore [REDACTED]

On April 21, 2021, the Series A Investors entered into a share transfer agreement with G-bits and QC Digital, pursuant to which each of Guangxi Tencent, Alibaba Lingxi and Shanghai Hode purchased approximately 3.37% equity interests in QC Digital from G-bits (approximately 10.11% in aggregate), at a consideration of approximately RMB101.15 million (approximately RMB303.45 million in aggregate) respectively. The considerations were determined based on arm’s length negotiations among the parties and were fully settled on May 12, 2021.

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Transition from onshore [REDACTED] to offshore [REDACTED]

In contemplation of the [REDACTED] and to reflect the onshore investment by Guangxi Tencent, Alibaba Lingxi and Shanghai Hode at the level of our Company, on May 14, 2021, the Company issued 481,150 Series A Preferred Shares at par value (approximately 3.37% of the then issued share capital of the Company) to each of Tencent, Alibaba Qookka, Bilibili Inc. (the “**Series A Investors’ Affiliates**”), each being an affiliated offshore entity of Guangxi Tencent, Alibaba Lingxi and Shanghai Hode respectively. The Series A Preferred Shares issued were proportionate to the respective onshore investment in QC Digital made by each of the Series A Investors. Details of the issued shares are as follows:

Round	Investor	Date of issuance	Number of Series A Preferred Shares allotted	Number of Shares in respect of the Series A Preferred Shares as of the [REDACTED] ⁽¹⁾	Amount of consideration (RMB million) ⁽²⁾	Date of settlement ⁽³⁾
Series A	Tencent	May 14, 2021	481,150	[REDACTED]	101.15	May 11, 2021
Series A	Alibaba Qookka	May 14, 2021	481,150	[REDACTED]	101.15	May 11, 2021
Series A	Bilibili Inc.	May 14, 2021	481,150	[REDACTED]	101.15	May 12, 2021

Notes:

- (1) Calculated after taking into account the fact that each Series A Preferred Share shall be converted into one ordinary share of our Company and the number of Shares to be issued pursuant to the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised).
- (2) The consideration paid by the Series A Investors to G-bits in relation to their onshore investment in QC Digital based on which the approximate price per share (calculated by dividing the amount of consideration paid by the number of Shares in respect of the Series A Preferred Shares as of the [REDACTED]) is [REDACTED], representing a discount of [REDACTED] to the [REDACTED] (assuming that the [REDACTED] is [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] of [REDACTED] to [REDACTED] and each Series A Preferred Shares shall be converted into one ordinary Share). The consideration paid is a commercial agreement between G-bits and the Series A Investors based on arm’s length negotiation and our Directors are of the view that the discount to the [REDACTED] is mainly due to (i) the consideration to be paid is determined before the launch of *Lantern and Dungeon* (提燈與地下城) in March 2021 which has received positive feedback from the market and significantly strengthened the operation and development of the Company’s business; (ii) the limited special rights attached to the Series A Preferred Shares; and (iii) the investment risk assumed by the Series A Investors in investing in an unlisted company including the uncertainty of the completion of the [REDACTED] and [REDACTED] and the low marketability of shares in an unlisted company.
- (3) The settlement date of the consideration paid by the Series A Investors to G-bits in relation to their onshore investment in QC Digital.

Offshore [REDACTED]

Our Company received an additional round of [REDACTED] (the “**Series B Investment**”) from the Series B Investors pursuant to a Series B Preferred Share purchase agreement dated May 26, 2021 entered into by, among others, the Series B Investors, Mr. Yang and the Company (the “**Series B SPA**”).

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Pursuant to the Series B SPA, the Company issued to each of the Series B Investors and each of the Series B Investors subscribed for 288,122 Series B Preferred Shares (representing approximately 1.87% of the total number of the then issued shares of our Company at the time upon closing) at a consideration of US\$15,652,576.78.

Round	Investor	Date of agreement	Number of Series B Preferred Shares allotted	Number of Shares in respect of the Series B Preferred Shares as of the [REDACTED] ⁽¹⁾	Amount of consideration (US\$)	Settlement date of the consideration	[REDACTED]	[REDACTED]
Series B	Tencent	May 26, 2021	288,122	[REDACTED]	15,652,576.78	May 27, 2021	[REDACTED]	[REDACTED]
Series B	Alibaba Qookka	May 26, 2021	288,122	[REDACTED]	15,652,576.78	May 28, 2021	[REDACTED]	[REDACTED]
Series B	Bilibili Inc.	May 26, 2021	288,122	[REDACTED]	15,652,576.78	May 27, 2021	[REDACTED]	[REDACTED]
Series B	Boyu	May 26, 2021	288,122	[REDACTED]	15,652,576.78	May 25, 2021	[REDACTED]	[REDACTED]

Notes:

- (1) Calculated after taking into account each Series B Preferred Share shall be converted into one ordinary share of our Company and the number of Shares to be issued pursuant to the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised).
- (2) Calculated based on division of the amount of consideration paid as set out above by the number of Shares as of the [REDACTED].
- (3) The discount to the [REDACTED] is calculated based on the assumption that (1) the [REDACTED] is [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] of [REDACTED] to [REDACTED]; and (2) each Series B Preferred Share shall be converted into one ordinary share. The discount to the [REDACTED] is mainly due to (i) the promising performance of the Company’s business operation and the stable development of the Company’s pipeline games between the time of determining the consideration for the Series B Preferred Shares and the [REDACTED], leading to a higher expected valuation at the time of the [REDACTED]; and (ii) the investment risk assumed by the Series B Investors in investing in an unlisted company including the uncertainty of the completion of the [REDACTED] and [REDACTED] and the low marketability of shares in an unlisted company.

The table below sets out the shareholdings of the Series B Investors mentioned above after taking into account the Series A Preferred Shares issued to the relevant Series B Investors aforementioned:

Investor	Total Number of Series A Preferred Shares and Series B Preferred Shares immediately after completion of the transactions under the Series B SPA	Number of Shares as of the [REDACTED] ^(Note)	Approximate shareholding in our Company as of the [REDACTED] ^(Note)
Tencent	769,272	[REDACTED]	[REDACTED]
Alibaba Qookka	769,272	[REDACTED]	[REDACTED]
Bilibili Inc.	769,272	[REDACTED]	[REDACTED]
Boyu	288,122	[REDACTED]	[REDACTED]

Note: Calculated after taking into account each Series A Preferred Shares and Series B Preferred Shares being converted into one ordinary share of our Company and the number of Shares to be issued pursuant to the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised).

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Principal terms of the [REDACTED]

Basis of determination of the considerations

The considerations were determined based on arm’s length negotiations between the parties with reference to (i) the prospects of our business, (ii) the valuation of our Group as a whole, and (iii) the strategic benefits brought by the [REDACTED] on or around the date of the investment.

Use of [REDACTED]

The funds raised by the Group from the Series B Investment are intended to be used as our expansion capital to grow our principal business, including but not limited to the development of games, publishing and operating games, sales and marketing and other general and administrative expenses.

As of October 31, 2021, approximately US\$5,751,632.09 raised from the Series B Investment have been so utilized for the aforementioned purposes and approximately US\$56,858,674.91 remained unutilized.

Strategic benefits

We are of the view that our Company can benefit from the investments by the [REDACTED] as their investments demonstrated their confidence in our Group’s operations and served as an endorsement of our Company’s performance and strengths.

Our Company is also of the view that the [REDACTED] have good presence in our industry which can provide us with professional insights and advice on our Group’s development and can help us achieve business synergies through enhanced business cooperation.

Conversion rights

Upon the [REDACTED], each Series A Preferred Shares and Series B Preferred Shares shall be converted into Shares based on the then applicable conversion ratio and conversion price set out in the Articles at an initial 1:1 Preferred Share to ordinary Share conversion ratio subject to adjustment.

The adjustment to the conversion ratio is not linked to the [REDACTED] or the [REDACTED] of our Company upon [REDACTED] and is in line with the principles and requirements promulgated by the Stock Exchange, including but not limited to, adjustment for share splits and combinations, shares dividends and distributions and other dividends.

[REDACTED]

The Shares held by each of the [REDACTED] (as applicable) will be counted towards the [REDACTED] of our Shares.

Lock-up

The holders of the Series A Preferred Shares and Series B Preferred Shares are not subject to any lock-up undertaking pursuant to their respective share purchase agreements and shareholders agreements entered into pursuant to the respective [REDACTED].

Special Rights Granted to the Series A Investors Affiliates and HK Kunpan

Each of the Series A Investors’ Affiliates (under the Articles in force prior to the [REDACTED]) and HK Kunpan had been granted certain special rights, including liquidation preferences (entitled to payment before

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ordinary Shares holders in case of certain liquidation events as stated in the Articles) and conversion rights. All such special rights will be terminated upon [REDACTED] when all Series A Preferred Shares are converted into ordinary shares of our Company.

Special Rights Granted to the Series B Investors

In addition to the terms described above, each of the Series B Investors (under the Articles in force prior to the [REDACTED], the Series B SPA and shareholders agreement entered into thereunder) had been granted certain special rights, including:

- information rights;
- right of first refusal;
- tag-along right;
- redemption rights (Series B Preferred Shares shall be redeemable at the election of the respective holders upon the occurrence of certain events including failing to consummate the [REDACTED] within the period stated in the Articles or if the Group is materially in violation of applicable laws which renders the Group unable to carry out its principal business legally);
- conversion rights;
- anti-dilution rights; and
- liquidation preferences (entitled to payment before ordinary Shares and Series A Preferred Shares holders in case of certain liquidation events as stated in the Articles).

All such special rights (except for redemption rights which has been terminated (as stipulated in the relevant agreement) one calendar day before the submission of the application for [REDACTED] by the Company (the “**First Filing**”), subject to restoration on the date which is twelve calendar months after the date of the First Filing if the [REDACTED] is not consummated) will be terminated upon [REDACTED] when all Series B Preferred Shares are converted into ordinary shares of our Company.

Information on the Series A Investors and Series B Investors

Guangxi Tencent and Tencent

Guangxi Tencent is a limited liability company established under the laws of the PRC. Guangxi Tencent is wholly owned by Shenzhen Tencent Industrial Investment Fund Co., Ltd., which is a subsidiary of Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange with the stock code: 0700.

Tencent, a company limited by shares incorporated in Hong Kong and a direct wholly owned subsidiary of Tencent Holdings Limited.

Alibaba Lingxi and Alibaba Qookka

Qookka Entertainment Limited (formerly known as Ejoy.com Limited), a private company limited by shares incorporated under the laws of Hong Kong on February 28, 2012, is principally engaged in the publishing and operation of online games.

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Qookka Entertainment Limited is ultimately owned by Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the ordinary shares of which are listed on the Main Board of the Stock Exchange with the Stock Code: 9988 and its American Depositary Shares (each representing eight ordinary shares) are listed for trading on the New York Stock Exchange under the symbol “BABA”.

Alibaba Lingxi, a limited liability company established under the laws of the PRC, is ultimately owned by Alibaba Group Holding Limited and principally engaged in the development, marketing, publishing and operation of games.

Bilibili Inc. and Shanghai Hode

Bilibili Inc. is a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, and its American Depositary Shares (each representing one Class Z ordinary share), are listed on Nasdaq Global Select Market (stock symbol: BILI), and its Class Z ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 9626). Bilibili Inc. is an iconic brand and a leading video community with a mission to enrich the everyday life of the young generations in China.

Shanghai Hode Information Technology Co., Ltd., a company incorporated under the laws of PRC on May 2, 2013, is a consolidated affiliated entity of Bilibili Inc. and is principally engaged in operation of mobile games.

Boyu

Wildlife Willow Limited is a BVI business company incorporated under the laws of the BVI and is 100% owned by Boyu Capital Opportunities Master Fund, which is an exempted company incorporated under the laws of Cayman Islands. All voting power in Boyu Capital Opportunities Master Fund is held by Boyu Capital Investment Management Limited, which is wholly owned by Boyu Capital Group Holdings Ltd.. XYXY Holdings Ltd. is the controlling shareholder of Boyu Capital Group Holdings Ltd.. Mr. Xiaomeng Tong holds 100% of the outstanding shares of XYXY Holdings Ltd..

Boyu Capital Investment Management Limited is a fund manager that focuses on investing in high quality business franchises with sustainable growth in the healthcare, consumer, technology, media and telecommunications and financial sectors.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors have confirmed that the investments of the Series A Investors, Series A Investors’ Affiliates and Series B Investors are in compliance with the Interim Guidance on [REDACTED] issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

CORPORATE REORGANIZATION

On March 12, 2021, we commenced the Reorganization in preparation for the [REDACTED], whereupon our Company became the holding company and the [REDACTED] vehicle of our Group and our PRC operations were conducted primarily by our Company through the Contractual Arrangements.

1. Establishment of offshore holding structure

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 12, 2021 and is the ultimate holding company of our Group. Upon incorporation, our Company has an authorized share capital of US\$50,000 divided into 5,000,000,000 shares of a par value of US\$0.00001 each. On

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the same day, one share was allotted and issued for cash at par value to the initial subscriber and was subsequently transferred to Keiskei QC Ltd., the offshore shareholding company wholly owned by Mr. Yang established in the British Virgin Islands as an investment holding company on February 25, 2021.

Intelligence QC Ltd. was established in the BVI as an investment holding company on February 26, 2021, which is wholly owned by Mr. Huang.

Fantasy QC Ltd. was established in the BVI as an investment holding company on February 25, 2021, which is wholly owned by Mr. Wei.

Gentle Tiger Ltd. was established in the BVI as an investment holding company on February 25, 2021, which is wholly owned by Mr. Liu.

Cloud Rings Ltd. was established in the BVI as an investment holding company on February 25, 2021, which is wholly owned by Mr. Zeng.

Wisdom Code Ltd. was established in the BVI as an investment holding company on February 26, 2021, which is wholly owned by Mr. Lin.

Rapid Yacht Ltd. was established in the BVI as an investment holding company on February 26, 2021, which is wholly owned by Mr. Ye.

2. Offshore shareholding restructuring

To reflect the onshore shareholding structure of QC Digital, our Company allotted an aggregate of 14,270,513 Shares to the then shareholders of QC Digital at par value US\$0.00001. For details of the changes in share capital of the Company, please refer to the section headed “Appendix IV—Statutory and General Information—A. Further Information about our Group—2. Changes in our share capital” in this document and the table below.

Name	Ultimate Shareholder(s)/ Corresponding Onshore Entity	Shares Allotted
1. Keiskei Holding Ltd.	Mr. Yang	5,296,696
2. Intelligence QC Ltd.	Mr. Huang	958,978
3. Intelligence QC Holding Ltd.	Mr. Huang	643,029
4. Gentle Tiger Holding Ltd.	Mr. Liu	330,124
5. Cloud Rings Ltd.	Mr. Zeng	191,225
6. Fantasy QC Ltd.	Mr. Wei	263,433
7. Rapid Yacht Ltd.	Mr. Ye	1,289,262
8. Xiamen Sealand	—	486,262
9. Wisdom Code Ltd.	Mr. Lin	71,566
10. HK Kunpan	G-bits	3,296,488
11. Tencent	Guangxi Tencent	481,150
12. Alibaba Qookka	Alibaba Lingxi	481,150
13. Bilibili Inc.	Shanghai Hode	481,150
	Total:	14,270,513

3. Establishment of onshore and offshore subsidiaries

Qingci Holding Limited was established in the BVI as an investment holding company on April 1, 2021, which is wholly owned by the Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

QC HK Limited was established in Hong Kong as an investment holding company on April 22, 2021, which is wholly owned by Qingci Holding Limited.

QC Interactive was established in the PRC as an investment holding company on May 17, 2021, which is wholly owned by QC HK Limited.

4. Restructuring of our non-restricted and/or non-prohibited business

As part of the Reorganization, to transfer the business which are not subject to any foreign investment restrictions or prohibition to ensure that the Contractual Arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange, QC Digital transferred all its equity interests in QC HK, representing 100% of QC HK’s shareholding, to Qingci Holding Limited.

In addition, in June 2021, the PRC Consolidated Affiliated Entities have transferred all of their non-restricted business to QC Interactive. Transfer of physical assets (such as computer equipment and facilities) and personnel relating to the operation of non-restricted business to QC Interactive were completed in July 2021.

QC HK holds 20% interests in Hongkong Leiting Qingci Network Co., Limited (香港雷霆青瓷網絡有限公司), which would be transferred to Qingci Holding Limited together with QC HK indirectly.

5. Deregistration of non-core entity

QC Chengdu was established in the PRC as a limited liability on April 15, 2016 with a registered capital of RMB0.1 million. Immediately prior to the Reorganization, QC Digital directly wholly owned QC Chengdu. We originally intended to develop game related business in Chengdu through QC Chengdu and later decided to wind down this company due to a change in business strategy. QC Chengdu was voluntarily dissolved on August 9, 2021. QC Chengdu complied with applicable laws and regulations in all material respects, and were not subject to any material claims, litigation or legal proceedings during the Track Record Period and up to August 9, 2021.

6. Entering into the Contractual Arrangements to control our PRC Consolidated Affiliated Entities

On May 26, 2021, QC Interactive entered into various agreements that constitute the Contractual Arrangements with, among others, Mr. Yang, Mr. Huang, Mr. Liu and Mr. Zeng, under which all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to QC Interactive to the extent permitted by the PRC laws and regulations. For further details on the Contractual Arrangements, see “Contractual Arrangements.”

[REDACTED]

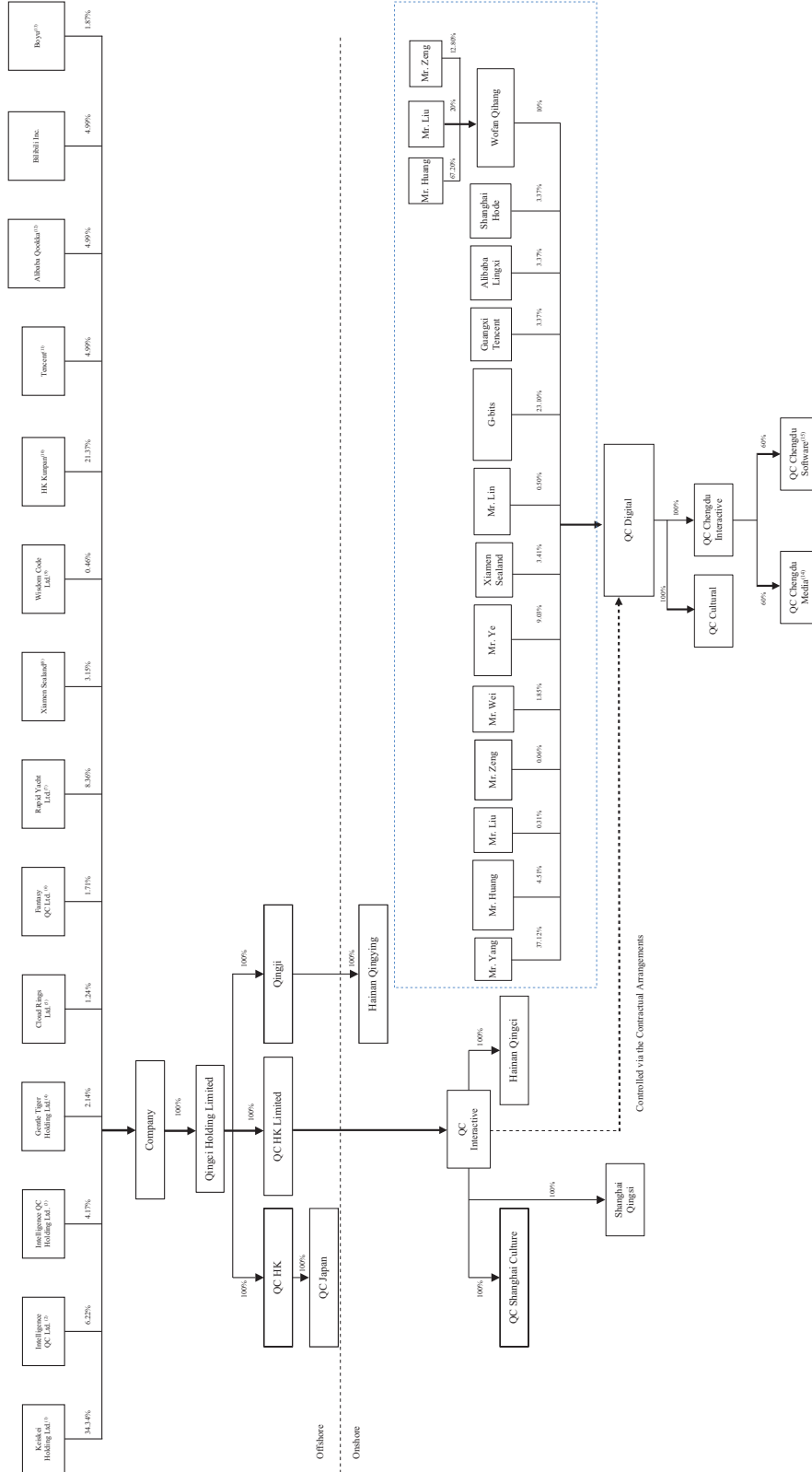
COMPLIANCE WITH PRC LAWS AND REGULATION

Our PRC Legal Advisor confirmed that (i) the establishment of our subsidiaries in the PRC and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects; and (ii) the Reorganization has complied with relevant applicable PRC laws and regulations in material respects.

[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

SIMPLIFIED GROUP STRUCTURE OF OUR GROUP AFTER COMPLETION OF THE REORGANIZATION AND AS OF THE LATEST PRACTICABLE DATE



Notes:

- (1) Keiskei Holding Ltd. is indirectly controlled by Peter Yang Family Trust (through Yang Family Holding Limited, a company incorporated in the BVI and is wholly owned by the Peter Yang Family Trust) which was established by Mr. Yang as the settlor and Mr. Yang and his family members as the beneficiaries.
- (2) Ultimately owned by Mr. Huang beneficially.
- (3) Ultimately owned by Mr. Huang beneficially.
- (4) Ultimately owned by Mr. Liu beneficially.

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- (5) Ultimately owned by Mr. Zeng beneficially.
- (6) Ultimately owned by Mr. Wei beneficially.
- (7) Ultimately owned by Mr. Ye beneficially.
- (8) Ultimately controlled by Sealand Securities Co., Ltd. (國海證券股份有限公司).
- (9) Ultimately owned by Mr. Lin beneficially.
- (10) Ultimately owned by G-bits.
- (11) Ultimately owned by Tencent Holdings Limited.
- (12) Ultimately owned by Alibaba Group Holding Limited.
- (13) Ultimately controlled by Boyu Capital Group Holdings Ltd., whose controlling shareholder is XYY Holdings Ltd. which is owned by Mr. Xiaomeng Tong as to 100%.
- (14) QC Chengdu Media was held as to 60% by QC Chengdu Interactive and 40% by Mr. Feng Lei, director of QC Chengdu Media.
- (15) QC Chengdu Software was held as to 60% by QC Chengdu Interactive, 27.5% by Mr. Liu Tao, director of QC Chengdu Software and 12.5% by Chengdu Damassus Enterprise Management Partnership (Limited Partnership)* (成都市達納蘇斯企業管理合夥企業(有限合夥)).

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- (5) Ultimately owned by Mr. Zeng beneficially.
- (6) Ultimately owned by Mr. Wei beneficially.
- (7) Ultimately owned by Mr. Ye beneficially.
- (8) Ultimately controlled by Sealand Securities Co., Ltd. (國海證券股份有限公司).
- (9) Ultimately owned by Mr. Lin beneficially.
- (10) Ultimately owned by G-bits.
- (11) Ultimately owned by Tencent Holdings Limited.
- (12) Ultimately owned by Alibaba Group Holding Limited.
- (13) Ultimately controlled by Boyu Capital Group Holdings Ltd., whose controlling shareholder is XYY Holdings Ltd. which is owned by Mr. Xiaomeng Tong as to 100%.
- (14) QC Chengdu Media was held as to 60% by QC Chengdu Interactive and 40% by Mr. Feng Lei, director of QC Chengdu Media.
- (15) QC Chengdu Software was held as to 60% by QC Chengdu Interactive, 27.5% by Mr. Liu Tao, director of QC Chengdu Software and 12.5% by Chengdu Damassus Enterprise Management Partnership (Limited Partnership)* (成都市達納蘇斯企業管理合夥企業(有限合夥)).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular No. 37”), promulgated by SAFE and which became effective on July 4, 2014: (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE 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 No. 13”), promulgated by the SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisor, our Relevant Individual Shareholders who are PRC citizens, namely Mr. Yang, Mr. Huang, Mr. Ye, Mr. Wei, Mr. Lin, Mr. Zeng and Mr. Liu, have conducted their registration under the SAFE Circular No. 13 and the SAFE Circular No. 37 on April 12, 2021.

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the CSRC and the SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the “Regulated Activities”). Where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and an offshore special purpose vehicle formed for [REDACTED] purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the [REDACTED] and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires equity interests in PRC companies using shares of offshore companies as the consideration.

Given that (i) QC Interactive was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules; and (ii) no Regulated Activities were involved in the Reorganization under the M&A Rules, as advised by our PRC Legal Advisor, the establishment of QC Interactive and the Reorganization are not subject to the M&A Rules, and the [REDACTED] of our Company does not require approvals from the CSRC and the MOFCOM under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisor.