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OVERVIEW

We are an established mobile game developer and publisher in China, offering mobile games that are designed to provide captivating content as well as distinctive and engaging gameplay experiences to players in mainland China and overseas. Our games are particularly popular among the young generation that is aged 30 or below. As a leader in casual games, especially idle games, and rogue-like RPGs in China, we have developed, published and operated a number of popular games. As of the Latest Practicable Date, we operated six mobile games and we had a pipeline of 10 mobile games.

Our Existing Games

Our landmark mobile games, such as *The Marvelous Snail (最強蝸牛)*, have recorded significant gross billings and achieved high rankings on the game lists widely recognized in our industry. For example, *The Marvelous Snail* recorded gross billings exceeding RMB400 million in the first month following its launch in June 2020 and had an average MAU of 4.4 million from June to December 2020. It also obtained the highest ranking of No. 2 on the iOS Bestseller Games List in China in 2020. This game generated revenues of RMB1,170.0 million and RMB516.5 million in 2020 and the six months ended June 30, 2021, respectively, accounting for 95.3% and 67.7% of our total revenues in these respective periods, and therefore it was the main driver for our net profit growth in these periods. The gross billings of *Lantern and Dungeon* exceeded RMB185 million in the first month following its launch in March 2021. It also topped the iOS Top 10 Free Games Chart in China for six consecutive days after its launch and obtained the ranking of No. 4 on the iOS Bestseller Games List in China. Our outstanding game publishing and operation capabilities enable us to reach a broad, active player base. In the six months ended June 30, 2021, the average MAU for all of our games amounted to 3.1 million.

According to Frost & Sullivan, we have achieved the following remarkable results:

- We ranked third and second among all mobile game companies in China in 2020 in terms of gross billings from casual games and idle games, respectively.

- We ranked second among all mobile game companies in China in 2020 in terms of gross billings from self-developed rogue-like RPGs.

- We ranked fourth, in terms of average gross billings per self-developed game in 2020, among all mobile game companies in China that had aggregate gross billings from self-developed games of over RMB1.0 billion.

Consistent with industry practice, we normally conduct significant marketing and promotion activities for a game before and around the time we officially launch this game and when we release new versions with substantial updates of this game. Accordingly, the gross billings, revenue contribution and key operating metrics such as average MAUs and average MPUs for a game could be relatively high in the first month after its launch or the release of new version with substantial updates. That is, key operating metrics of our games could fluctuate around the time of a new game's launch and the release of new versions of the game supported by our corresponding marketing and promotion activities. For example, while *The Marvelous Snail* and *Lantern and Dungeon* have recorded the highest gross billings in the first month after their respective launch dates, *Gumballs & Dungeons* (only considering gross billings generated from our publishing of this game) and *Eternal Adventure* have recorded the highest monthly gross billings in the sixth and 51st month after their respective launch dates, which resulted from releases of their new versions with substantial updates. In addition, the *Marvelous Snail* experienced a slowdown in revenue growth in the first six months of 2021 compared to the year of 2020, as it moved to the maturity stage. Likewise, this game experienced declines of its average MAUs and average MPUs from 4,417 thousand and 701 thousand, respectively, in 2020 to 1,481 thousand and 257 thousand, respectively, in the six months ended June 30, 2021. These changes represented a natural development along a new game's lifecycle. During the Track Record Period, our revenue and profit were materially affected by the fluctuations in performance of a limited number of landmark games. As we launch more games in future, we expect that we will rely less on a single landmark game, which would be able to reduce the fluctuations of our revenue and profit.

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Our Core Capabilities and Resources

The diagram below illustrates the relationship between our core capabilities and core resources. Together, these elements drive the rapid growth of our business.

Systematic Development

Our mobile games are generally designed to have captivating content, distinctive game punchlines, striking designs and graphics, and often humorous twists based on feedback from some of our game players, with each game incorporating features of multiple game genres. All of these features make our games particularly popular among the young generation, which has been the key driving force and trend-setter of the game industry. Young players generally have strong desire for premium content, personal expression, and distinctive experiences. We offer engaging and intriguing mobile games that fulfill young players' evolving demands, thus enabling our games to continuously attract young players. According to the Frost & Sullivan Survey, approximately 76% of our players were aged 30 or below, significantly higher than the industry average of 65%. With creativity inspiring the whole process, we take a systematic approach to design, develop and refine our games to achieve commercial success speedily and cost-effectively. The core components of our systematic game development approach include: (i) "goal decomposition": after our game designers generate new and captivating ideas and content, we form detailed action plans for each step during our game development process; (ii) "effective verification": before a game is launched, we conduct multiple rounds of game testing by players, particularly our QingCi Enthusiasts, to verify the attractiveness of the ideas for the game and the effectiveness of the team's action plan; and (iii) "frequent optimization": based on the player feedback collected, we rapidly and frequently optimize the game with updated versions to meet player demands ahead of the game launch. For instance, for *The Marvelous Snail*, we produced the game demo and conducted the first player testing within only one month after the project's commencement, and we released a new game version approximately every 20 days before the game's official launch. The carefully crafted surprises and humorous twists throughout the game resonate well with our players.

Large, Loyal and Active Player Community

We continuously pursue our goal of improving player engagement. Supported by the strong willingness of game players, especially the young generation, to share game experiences with others, our "QingCi" brand has attracted a large, loyal and active player base that forms our player community, which we call "QingCi community." As of October 31, 2021, we had 10.4 million QingCi Enthusiasts who were connected with us on our official accounts and groups on social media platforms. This number of QingCi Enthusiasts may involve duplicated players (see definition of this term in "Glossary"), as we do not have the real-name information of the

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players on social media platforms. We have a dedicated operation team that manages our player community accounts and actively interacts with the community participants. From the launch of the game to October 31, 2021, our articles on the official WeChat account of *The Marvelous Snail* obtained over 60 million views in aggregate, with approximately 124 thousand views per article on average. Our frequent and close interactions with our QingCi Enthusiasts create a virtuous circle, as the feedback from the player community helps us to develop and improve our games, which in turn attract more active players. In addition, these interactions further enhance our player stickiness and monetization, and increase the recognition of our "QingCi" brand. Due in part to these efforts, the average weekly player retention rate of *The Marvelous Snail*, from its launch in June 2020 to June 30, 2021, reached 28%, which is significantly higher than the industry average of approximately 12% for idle games, according to Frost & Sullivan. Supported by our strong brand recognition and effective community connections, in the first month after its launch, approximately 1.7 million of the 3.8 million registered players of *Lantern and Dungeon* were converted from our other games, despite their different genres and characteristics.

Strong Publishing and Operation

Our strong capabilities in applying customized approaches to game publishing and operation, coupled with our ability to capture evolving market trends for game publishing and distribution, have become a key success factor for us. We have quickly adopted new channels in game publishing and established close partnerships with popular vertical distribution channels such as TapTap and Bilibili, which helps us reach our target audience, particularly young players, more effectively. In addition, we tailor our publishing approach for each of our games based on its characteristics, players' interest and distribution channels' features. We identify the game's target audience and then customize our marketing campaigns so that our game can "break the circle" to reach a large audience. For instance, we accurately identified potential core players for *Lantern and Dungeon* and engaged comprehensive and frequent marketing campaigns suited for its gameplay and characteristics before its official launch. As a result, this game gained great popularity upon launch and swiftly broke through to a vast number of players. Moreover, our strong operation capabilities enable us to accurately capture players' interest and achieve high player lifetime value while maintaining relatively low player acquisition costs. We are able to accurately capture players' interest and identify target players effectively through channels with lower commissions such as our self-operated channels and iOS. Therefore, according to Frost & Sullivan, our player acquisition costs were lower than the industry average. In addition, for the six months ended June 30, 2021, the average weekly player retention rate of *The Marvelous Snail (最強蝸牛)*, *Gumballs & Dungeons (不思議迷宮)*, *Lantern and Dungeon (提燈與地下城)*, *Ares Virus (阿瑞斯病毒)*, *Eternal Adventure (無盡大冒險)* and *Yu Gong 3 (愚公移山3—智叟的反擊)* was 23.3%, 22.6%, 39.3%, 24.1%, 28.4% and 20.3%, respectively. According to Frost & Sullivan, the industry average weekly player retention rate of RPGs, Rogue-like RPGs, casual games and idle games is 8.2%, 10.2%, 9.4% and 12.0% for the same period, respectively. In 2020 and the six months ended June 30, 2021, our overall ARPPU was RMB206 and RMB221, respectively, which were higher than the industry average, according to Frost & Sullivan. Our paying ratio, calculated by dividing average MPUs by average MAUs, in the six months ended June 30, 2021, was higher than the industry average, according to Frost & Sullivan. Therefore, our paying ratio, our ARPPU and our games' weekly player retention rate contribute to our high player lifetime value, according to Frost & Sullivan.

Our Pipeline Games

Building upon our successful track record and our systematic approach in game development and operation, we have continued to develop and license in high-quality mobile games, including games of new genres and types, such as parkour, SLG (including tower defense and others), ACT, STG and ACT RPG. As of the Latest Practicable Date, we had a pipeline of 10 games, including four self-developed games, that we plan to launch in 2022 and 2023. In addition, we plan to launch local versions for *Lantern and Dungeon* in Hong Kong, Macau and Taiwan and *The Marvelous Snail* in Japan in the second quarter of 2022.

During the Track Record Period, we recorded strong financial performance. In 2018, 2019, and 2020, our revenues amounted to RMB98.4 million, RMB88.7 million and RMB1,226.9 million, respectively, representing a CAGR of 253.1% from 2018 to 2020, and our net profit amounted to RMB24.9 million, RMB19.6 million and RMB103.7 million, respectively, representing a CAGR of 104.3% from 2018 to 2020. In addition, our revenue increased substantially from RMB88.6 million in the six months ended June 30, 2020 to RMB763.0 million in the same period of 2021, and our net loss decreased by 40.0% from RMB156.2 million in the six months ended

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June 30, 2020 to RMB93.8 million in the same period of 2021. Moreover, in 2018, 2019 and 2020, our adjusted net profit for the year (non-IFRSs) amounted to RMB38.9 million, RMB22.3 million and RMB166.2 million, respectively, representing a CAGR of 106.8% from 2018 to 2020. Our adjusted net loss for the period (non-IFRSs) of RMB144.0 million in the six months ended June 30, 2020 changed to adjusted net profit for the period (non-IFRSs) of RMB313.7 million in the same period of 2021.

OUR COMPETITIVE STRENGTHS

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

An established mobile game developer and publisher in China offering games with captivating content and distinctive experiences and particularly popular among the young generation

We are an established mobile game developer and publisher in China, offering mobile games that are designed to provide captivating content as well as distinctive and engaging gameplay experiences to players in mainland China and overseas, and our games are particularly popular among the young generation. As a leader in casual games, particularly idle games, and rogue-like RPGs in China, we have launched a number of blockbuster games, including the rogue-like RPG *Gumballs & Dungeons* in August 2016, the idle mobile game *The Marvelous Snail* in June 2020 and the rogue-like RPG *Lantern and Dungeon* in March 2021. *The Marvelous Snail* has gained phenomenal attraction since its launch in June 2020. As of August 31, 2021, *The Marvelous Snail* had recorded RMB2.0 billion in total gross billings with over 20.6 million cumulative registered players. This game obtained the ranking of No. 2 on the iOS Bestseller Games List in China, and it ranked among the iOS Top 10 Bestseller Games List in China for more than 80 days in 2020. It has also been awarded as "*Google Play 2020—The Most Innovative Game*." *Gumballs & Dungeons* topped the iOS Paid Games List in China for over 70 days in 2017 and had over 23.3 million cumulative registered players as of June 30, 2021—making it a benchmark game in China's rogue-like RPG category. It was nominated for the "2017 Best Chinese Game" by The Game Awards ("TGA") in 2017. *Lantern and Dungeon* also enjoyed wide popularity, with its gross billings exceeding RMB185 million and its MAU reaching 3.8 million in the first month following its launch. In addition, *Lantern and Dungeon* topped the iOS Top 10 Free Games Chart in China for six consecutive days after its launch and obtained the ranking of No. 4 on the iOS Bestseller Games List in China.

Our strong capabilities in game development, publishing and operations have helped us achieve outstanding performance. According to Frost & Sullivan, in 2020, we ranked third, second and second among all mobile game companies in China in terms of gross billings from casual games, idle games and self-developed rogue-like RPGs, respectively. In the overseas markets, we have strong operation capabilities to develop dedicated and customized versions of our games based on the local culture and user habits, and our games have been recognized for innovation and high quality. For example, after its launch, *The Marvelous Snail* topped the iOS and Google Play Top 10 Free Games Chart in Hong Kong and Taiwan, and obtained the rankings of No. 1 on the Google Play Games List in Hong Kong and iOS Bestseller Games List in Taiwan.

We seek to optimize product development by actively addressing players' needs and are committed to providing distinctive gameplay experiences. Our games are particularly popular among the young generation, which has been the key driving force and trend-setter of the game industry. Young players generally have strong desire for premium content, personal expression and distinctive experiences and they are generally more receptive to games with compelling storylines and renowned IPs. They appreciate innovative plots and game rules, as well as spoof elements, and prefer to use their fragmented time to play mobile games. Therefore, idle games and rogue-like RPGs, such as those offered by us, are particularly popular among the young generation. This enables our games to continuously attract young players. According to the Frost & Sullivan Survey, approximately 76% of our players were aged 30 or below, significantly higher than the industry average of 65%.

Our rich and diversified game pipeline forms a foundation for our sustainable and rapid development. As of the Latest Practicable Date, we had 10 games in our pipeline, including *Time Voyager (時光旅行社)*, *Servitor Project (使魔計劃)*, *Bladeheart Ninja 2 (刃心2)* and other existing classic IP sequels and innovative games. In addition, we plan to launch local versions for *Lantern and Dungeon* in Hong Kong, Macau and Taiwan and *The Marvelous Snail* in Japan in the second quarter of 2022.

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Strong content capabilities and systematic production and operation

Our portfolio includes games that are stylish, entertaining and characterized by captivating content, distinctive game punchlines, striking designs and graphics, and often humorous twists, with each game incorporating features of multiple game genres, all of which make our games particularly popular among young players. Players of our games are able to enjoy an immersive exploration process, thereby raising player stickiness. For example, for *The Marvelous Snail,* the huge variety of virtual items, unexpected plot twists and brilliant map exploration design greatly enrich the game's storyline and gameplay. The carefully crafted surprises and humorous twists throughout the game resonate well with our players, particularly young players. The MAU of *The Marvelous Snail* consistently exceeded 2 million in the second half of 2020. Its average weekly player retention rate from its launch in June 2020 to June 30, 2021 reached 28%—significantly higher than the industry average of approximately 12% for idle games, according to Frost & Sullivan.

Our proven, systematic approach to game development and operation is vital for us in transforming game ideas into successful game products effectively. The core components of our systematic game development approach include: (i) "goal decomposition": after our game designers generate new and captivating ideas and content, we form detailed action plans for each step during our game development process; (ii) "effective verification": before a game is launched, we conduct multiple rounds of game testing by players, particularly our QingCi Enthusiasts, to verify attractiveness of the ideas for the game and the effectiveness of the team's action plan; and (iii) "frequent optimization": based on player feedback collected, we rapidly and frequently update the game to meet player demands ahead of the game launch. In particular, our publishing and operation team actively participates in a game's production, collects player feedback from as early as the "demo" stage and studies players' evolving demands and preferences—all of which enable us to timely capture emerging market opportunities and enhance the game's commercial success. For instance, for *The Marvelous Snail*, we produced the game demo and conducted the first player testing within only one month after the project's commencement, and released a new game version approximately every 20 days before the game's official launch. This approach allowed us to launch the game swiftly and successfully. For in-licensed games such as *Ares Virus (阿瑞斯病毒)*, we deployed a dedicated team to participate in the mid- and late-stages of game optimization as well as multiple rounds of testing and assessment before the game's official launch. As of June 30, 2021, *Ares Virus* reached over 16.5 million cumulative registered players.

We have actively built and expanded our pool of original IPs—with games as the core. As of the Latest Practicable Date, we had four self-developed games with original IPs in operation, which are highly recognized in the market according to Frost & Sullivan. In addition, we had rolled out a series of peripheral products and pan-entertainment content around these games. We have integrated virtual cultural relics and other props into our games, such as *The Marvelous Snail,* to promote traditional Chinese culture. We have also produced excellent animations and videos based on our games to further increase their market exposure and acceptance. As of the Latest Practicable Date, our animation series of *The Marvelous Snail—Uninvited Guest (最強蝸牛不速之客)* had obtained over 9.4 million views on Bilibili. We believe that the continuous extension and operations of different entertainment formats around our original IPs have helped to enhance players' loyalty and maintain the long-term value of our IPs.

A virtuous circle fostered by large, loyal and active player community

Supported by the strong willingness of game players, especially the young generation, to share game experience with others, our "QingCi" brand has attracted a large, loyal and active player base that is strongly attached to our games and forms our player community. As of October 31, 2021, we had 10.4 million QingCi Enthusiasts who were connected with us on our official accounts and groups on social media platforms. Specifically, we had more than 3 million followers on WeChat and more than 5 million followers on TapTap and operated approximately 340 super-large player groups (namely, groups with at least 1,000 participants each) on Tencent QQ, covering 532 thousand group members. We have a dedicated operation team that manages our player community accounts and actively interacts with the community participants. For example, from the launch of the game to October 31, 2021, our articles on the official WeChat account of *The Marvelous Snail* obtained over 60 million views in aggregate, with approximately 124 thousand views per article on average. After the

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official launch of *The Marvelous Snail*, we have regularly organized online events on our official WeChat account, and two of these events that took place during the 2020 National Day and 2021 New Year holidays attracted over 1.2 million QingCi Enthusiasts. Our large and active player community has become a solid foundation for our creativity, product optimization, and game promotion—strengthening the appeal and influence of our "QingCi" brand.

Our frequent and close interactions with our QingCi Enthusiasts create a virtuous circle, as the feedback we collect from the players helps us to develop and optimize our games, which in turn attract more active players. We have involved QingCi Enthusiasts in our community in multiple rounds of testing for our pre-launch games, to optimize the gameplay and meet player expectations. For example, during the development of *Lantern and Dungeon*, we conducted nine rounds of player testing among our QingCi Enthusiasts, covering the entire process of game development from demo production to testing. After a game is launched, these players spontaneously spread the game as "seed users," helping the game to swiftly break through to a vast number of players. Supported by our strong brand recognition and effective community connections, in the first month after its launch, approximately 1.7 million of the 3.8 million registered players of *Lantern and Dungeon* were converted from our other games, despite their different genres and characteristics. Active interactions among QingCi Enthusiasts further enhance player stickiness and monetization, and increase the recognition of our "QingCi" brand. This serves as a testament to a virtuous cycle that we have established within our QingCi community.

Strong publishing and operation capabilities leading to successful monetization

Our strong game publishing and operation capabilities allow us to successfully unleash our monetization potential. Our publishing model, based primarily on targeted marketing campaigns, supplemented by effective traffic acquisition, has enabled us to obtain more player traffic cost-effectively and enhance our long-term brand value. For example, the gross billings generated through our self-operated distribution channels, TapTap (which charges no commission) and the iOS App Store, in aggregate, contributed approximately 90.4% of the total gross billings of *The Marvelous Snail* in China in 2020, and approximately 97% of the total gross billings of *Lantern and Dungeon* in China in the first six months of 2021.

Our strong capabilities in applying customized approaches to game publishing and operation, coupled with our ability to capture evolving market trends for game publishing and distribution, has become a key success factor for us. We have quickly adopted new channels in game publishing and established close partnerships with popular vertical distribution channels, such as TapTap and Bilibili, which helps us reach our target audience, particularly young players, more effectively. For example, in connection with launching *The Marvelous Snail*, we published the game on various channels, including leveraging KOL-generated content and acquiring traffic from social media platforms such as Douyin, and we also held a Douyin Challenge Competition ("抖音挑戰賽") which generated over 10 billion views over a collection of short videos relating to the game before the game's launch. As a result, the game's popularity rose rapidly, obtaining over 120 times of "Editor's Choice" recommendation on the iOS App Store in 2020.

We tailor our publishing and operation approaches for each of our games based on its characteristics, players' interests and distribution channels' features. Before we officially launch a game, we conduct extensive testing, initially with our core QingCi Enthusiasts and gradually expanding to other players, to identify the game's target audience and customize our marketing campaigns. The distinctive characteristics of our game content make such targeted promotion particularly effective. For instance, to stimulate players' interest, we produced massive humorous and popular content for *The Marvelous Snail*, which achieved considerable exposure on multiple platforms. In addition, we accurately identified core players of *Lantern and Dungeon* and engaged comprehensive and frequent marketing campaigns suited for its gameplay and characteristics before its official launch. As a result, this game gained great popularity upon launch and swiftly broke through to a vast number of players. It was included in the iOS "Today" top games list in China for 38 times, and the number of active players reached 1 million on the date it was launched.

We use multi-dimensional data analytics tools to generate various operational indicators and collect extensive feedback, which provide input that we can apply in subsequent version updates and refinements of our

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monetization strategies. We update our games to provide our players with fresh and engaging experiences to retain our existing players and extend ours games' lifecycles. The lifecycles of our games in operation as of the Latest Practicable Date generally ranged from 60 to 96 months, significantly longer than the industry average for idle games and for rogue-like RPGs, according to Frost & Sullivan. Since the launch of *Gumballs & Dungeons* in 2016, we have been consistently exploring innovative gameplay for the game, and as of the Latest Practicable Date, we had launched over 180 updated versions, including versions reflecting theme activities such as the Chinese New Year Maze in January 2020 and the fourth anniversary celebration of this game in December 2020. This game still recorded an average MAU of over 390 thousand in 2020 after three years' operation. Our strong operation capabilities enable us to accurately capture player interest, achieve high player lifetime value while maintaining relatively low player acquisition costs. In 2020 and the six months ended June 30, 2021, the ARPPU of our games was RMB206 and RMB221, respectively, which were significantly higher than the industry average, according to Frost & Sullivan.

Innovative, experienced and stable management team and core game producers with exceptional execution capabilities and support from industry-leading strategic investors

Our core management team members are committed to innovation and quality. Our founder and chairman, Mr. Yang Xu, has been deeply involved in the game industry for more than 15 years. He has participated in the development of large-scale games such as *Wen Dao (問道)*. He has extensive experience in the development and operation of multiple genres of mobile and other games, and has been leading us to advance innovation in our industry. Since our establishment, Mr. Yang has led the development and operation of a series of successful games, including *Gumballs & Dungeons* and *The Marvelous Snail*.

A majority of our core management team members have collaborated for more than eight years and have shown long-term stability. They possess in-depth industry insights, strong game development capabilities, as well as extensive experience working at well-known online gaming companies such as Tencent and G-bits, or their respective affiliates. They are also fully involved in our business from idea generation to game operation, which assures our efficiency from decision-making to execution. Our proven execution capabilities and strong commitment to creating value through innovation have allowed us to stay ahead of the curve and capture new market opportunities.

We had a core game producer team, each member of which has over 12 years of experience in game development, publishing and operation. This team has led the development of all of our self-developed landmark games, as well as a number of games in our pipeline.

In addition, our strategic investors that are leading players in the mobile game industry, including G-bits, Tencent, Alibaba and Bilibili Inc., have extensive expertise and resources in the mobile game industry and boast innovative visions and successful track records in game development, publishing and operations. We expect to benefit significantly from their strong, long-term support and potential business cooperation opportunities with them.

OUR STRATEGIES

We intend to pursue the following strategies to further grow our business:

Continue to enrich our high-quality game portfolio and content offerings

Leveraging our solid R&D capabilities and distinctive approach to game production, we will continue to develop and in-license high-quality mobile games. To achieve this, we will continue to strengthen our game development team and advance our R&D capabilities, by both attracting external talent and cultivating our own outstanding employees. We have developed and will continue to identify and incubate future game producers who display strong innovation and game design talent. We provide our game producers with more resources in game development and optimization, and help them gain more experience and improve their leadership. We plan to launch four self-developed games in 2022 and 2023. In addition, we plan to launch local versions for *Lantern and Dungeon* in Hong Kong, Macau and Taiwan and *The Marvelous Snail* in Japan in the second quarter of 2022, as well as launch *Time Voyager* in Hong Kong, Macau and Taiwan in the first quarter of 2022.

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In addition, we will continue to license in games from other outstanding game developers and bring these games to their full potential by leveraging our in-depth industry know-how and expertise in customized publishing capabilities. We plan to distribute six in-licensed games in 2022. Collectively, our 10 pipeline games include games of new genres and types such as parkour, SLG (including tower defense and others), ACT, STG and ACT RPG.

IP is not only an important part of our games' popularity and continued vitality, but also an important asset for us. We plan to build our QingCi universe primarily through developing original, iconic IP for our games, (including by integrating cultural elements), supplemented by peripheral products and pan-entertainment content, such as comics, videos and other merchandise. We will also pursue ways to achieve synergies among the various IPs within our QingCi universe, such as by embedding gameplay elements of our existing IPs into our new games to connect our various IPs, thereby increasing player stickiness and enhancing monetization.

Continue to strengthen our game development and operation capabilities to enhance profitability

We will apply big data analytics and other technologies to improve our game production and operation capabilities. We will also invest in AR technology to enhance our ability to deliver immersive, cutting-edge gameplay experiences. These technologies will strengthen our multi-dimensional analytics of player behavior, from game testing to launch, as we continue to develop and optimize our games. Applying this data-driven approach, we expect to more effectively understand the needs and preferences of players, provide them with compelling content of our QingCi universe and improve our monetization capabilities.

Leveraging our game publishing and operation capabilities, which encompasses customized marketing campaigns, supplemented by effective traffic acquisition, we will seek to acquire a large number of quality players in a cost-efficient manner. We will apply our data insights to introduce popular marketing content and improve our targeted promotion of games in a cost-effective manner, further reducing channel costs and increasing our profitability.

Expand our player base and improve player stickiness and engagement

Our large, loyal and active QingCi Enthusiast base is the foundation of our QingCi community and the primary target audience of our games, for our continued development. We plan to pursue the approaches below to expand this player base, increase their engagement with us and enhance their recognition of our brand and culture:

- We will leverage our captivating games to provide more attractive gameplay experiences and, through more interesting interactions, create topics that captivate players and drive our marketing momentum;

- We will continue to build and operate QingCi community through various online platforms, support and cultivate player community, and encourage interaction among players and collect feedback and analyze test data to refine our games; and

- We will continue to organize offline player activities to provide a more diversified interactive experience. We are currently planning to open QingCi games offline experience store(s) by the end of 2021.

Continue to expand our overseas business

We will launch our games in overseas markets mainly through self-publishing. In 2021, we plan to focus on players in Japan, Southeast Asia, Hong Kong, Macau and Taiwan as our primary target audience. In the following two to three years, we will gradually expand to Europe, the U.S. and other regions.

We aim to provide overseas players with games and interactive experiences that are as captivating as our games for the market in China, while at the same time customizing games based on local cultures, customs,

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folktales, lifestyles and player habits of specific markets. Based on these local characteristics, we will provide multilingual game versions with customized content including game characters, plots, gameplay and storylines. In addition, we will cooperate with popular local marketing and promotion platforms to provide our target audience in different markets with customized game promotion content. For example, we plan to cooperate with Line, Yahoo and GameWith in Japan, as these distribution channels are popular among Japanese players. We also plan to invite local KOLs to share our games with players in local communities.

We will continue to consolidate our capabilities in overseas publishing, operation, marketing and player community development. We will deepen our cooperation with major international distribution channels such as Google Play and iOS App Store, social media platforms such as Facebook, and other upstream and downstream partners in the mobile game industry. We have also begun building overseas player community on social media platforms such as Facebook and TikTok, and we will use our extensive experience to engage in traffic acquisition and brand promotion activities to continuously attract and retain players and enhance monetization. We plan to establish and bolster relationships with distribution channels, international marketing and promotion service providers, mainstream media and international publishers to publish and promote our games overseas, primarily through (i) tapping into capabilities and resources of our existing distribution channel and publishing partners in mainland China that have strong overseas capabilities, (ii) establishing local offices in important overseas markets and recruiting local employees who have knowledge of local business practice and have strong connection with local distribution channels, mainstream media and game publishers, and (iii) proactively approaching and collaborating with multinational and local distribution channels, marketing agencies and game publishers that have abundant local resources. For example, for our game *Gumballs & Dungeons (不思議迷宮)*, we have cooperated with iOS App Store and Google Play to distribute the game overseas by liaising with their PRC-based teams. In addition, we acquire traffic (such as on Facebook) and promote this game overseas by approaching relevant agents and the PRC offices of the overseas marketing and promotion service providers. We have also engaged third-party service providers to publish this game in certain overseas markets. See "Future Plans and **[REDACTED]**" for more information.

Enter into strategic alliances, investments and acquisitions

We actively pursue win-win cooperation opportunities through in-depth strategic alliances, investments and acquisitions. For example, under our model of in-licensing games from our investee companies, we have enabled the success of outstanding products such as *Lantern and Dungeon*. We will continue to cooperate with third-party developers as our strategic partners to roll out compelling new games. In addition, we will seek out high-quality business partners in the mobile game industry and deepen our cooperation with these partners through strategic alliances, investments or acquisitions.

Our strategic focuses in this area in China and other markets (including Japan, South Korea, Hong Kong, Macau, Taiwan, Europe and the U.S.) include: (i) targeting game developers with high-quality products to expand our game portfolio, strengthen our brand and IP, and attract new players, thereby driving our revenue growth; and (ii) pairing up with upstream and downstream industry players with distinctive qualifications and capabilities such as game publishers and animation producers. We believe that strategic alliances, investments and acquisitions can help us to achieve benefits or synergies including (i) enriching and optimizing our game content and gameplay, (ii) enhancing our game development capabilities and expanding our game portfolio, (iii) expanding our publishing and distribution channels, and (iv) more effectively consolidating our market position, responding to industry trends, and achieving our goals for growth. See "Future Plans and **[REDACTED]**" for details on selection criteria of our investments.

OUR BUSINESS MODEL

We publish and operate our in-house developed mobile games as well as certain games licensed in from third-party developers. To a lesser extent, we engage third parties to publish certain of our games, leveraging their established distribution network relationships and game marketing and promotion capabilities. The

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following chart illustrates our business processes, from game sourcing to post-launch operations, for all of these three business models. See "—Our Business Processes" for more discussion of our business processes.
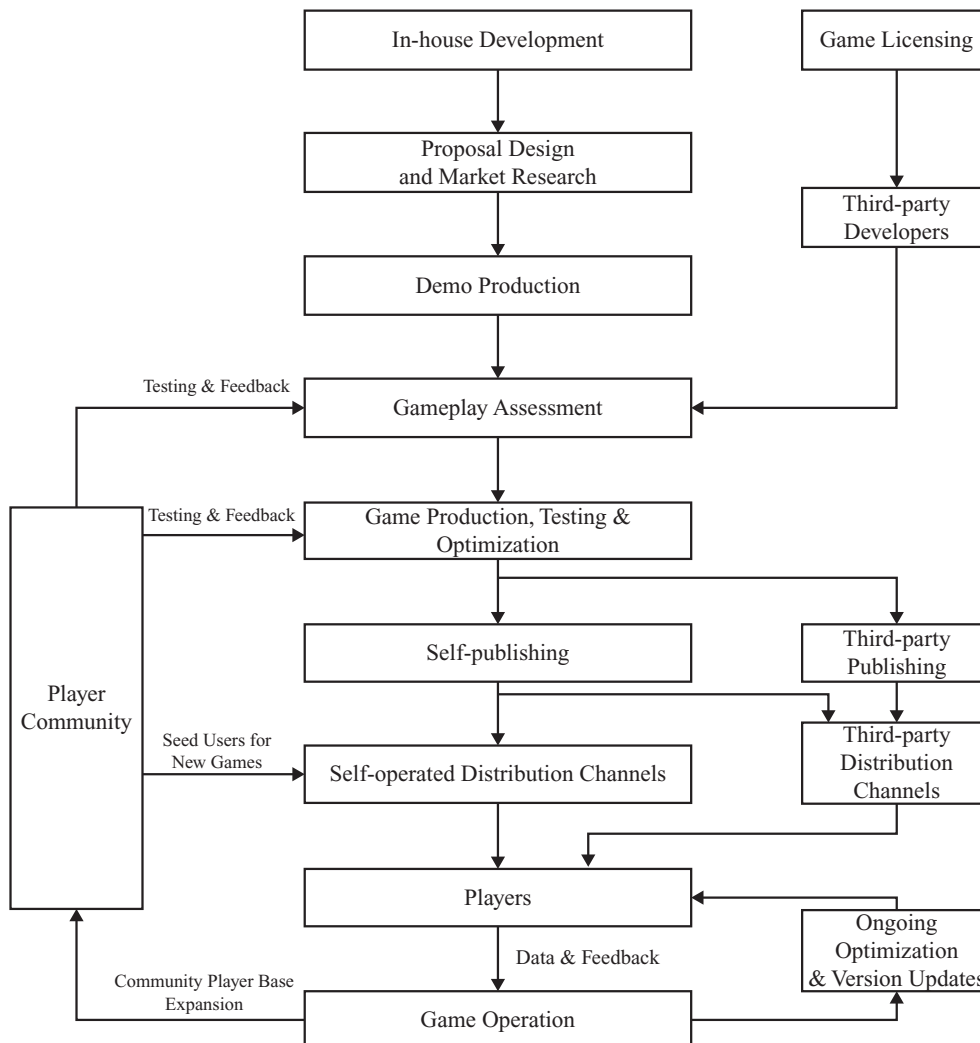
Our mobile games are currently offered primarily on a free-to-play basis. We generate game operating revenues primarily from the sales of in-game virtual items. For our self-published in-house developed games, we are entitled to all the gross billings after deduction of fees charged by payment service providers and distribution channel fees. For our in-licensed games, we generally pay the third-party game developers fee amounting to a prescribed percentage of the gross billings (which are net of commissions to distribution and payment channels, marketing and promotion expenses and other expenses, as the case may be). We recognize license fees from third-party publishers as our game licensing revenue. In addition, we generate information service revenue by providing performance-based in-game marketing and promotion services to advertisers or their agents who promote their customers' products and services in our games to players beginning from 2018. We provide in-game information services to third parties through (i) providing and maintaining in-game promotion function, and (ii) providing technical services to display relevant content provided by third parties in games.

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The following table sets forth a breakdown of our revenue by source in absolute amounts and as percentages of our total revenues for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Game operating revenues										
Self-developed	35,481	36.1	43,318	48.8	1,082,298	88.2	62,085	70.1	496,391	65.0
Licensed	15,110	15.3	10,054	11.3	11,150	0.9	4,052	4.6	233,242	30.6
Subtotal	50,591	51.4	53,372	60.1	1,093,448	89.1	66,137	74.7	729,633	95.6
Game licensing revenue	47,822	48.6	33,582	37.9	58,576	4.8	14,198	16.0	18,930	2.5
Information service revenue	8	0.0	1,750	2.0	74,896	6.1	8,215	9.3	14,387	1.9
Total revenues	**98,421**	**100.0**	**88,704**	**100.0**	**1,226,920**	**100.0**	**88,550**	**100.0**	**762,950**	**100.0**

We experienced an increase in revenue contribution from games published by ourselves during the Track Record Period. Our increased game operating revenues from self-developed games in 2020 and the first six months of 2021 were primarily attributable to *The Marvelous Snail*. Our increased game operating revenues in the first six months of 2021 was primarily attributable to *Lantern and Dungeon*. For games published by us, we typically concentrate our spending on marketing and promotion expenses around the launch of new games and when releasing new versions of the games, and the amount of these expenses required varies greatly depending on the characteristics of each game and its target players. For example, marketing and promotion expenses as a percentage of our total revenue were relatively high in 2020 and the first six months of 2021 primarily attributable to marketing activities to prepare for the launch of *The Marvelous Snail* in 2020 and *Lantern and Dungeon* in March 2021.

Given the content-oriented nature of our games, the players generally feel attached to our games, and a large number of them have actively participated in community interactions with us and other players. As of October 31, 2021, our games had accumulated 10.4 million QingCi Enthusiasts on various social media and online platforms, such as TapTap, WeChat, Tencent QQ and Bilibili. See "—Player Community" for more details. Our continuous engagement and the players' feedback make a virtuous cycle that nurtures our growth and forms an integral part of our business model.

OUR GAMES

We develop, publish and operate top-rated online mobile games. As of the Latest Practicable Date, we had six existing mobile games, including five idle games or rogue-like RPGs and one other RPG. In addition, we had a pipeline of 10 games expected to be launched in 2022 and 2023, including RPG (including rogue-like RPG, ACT RPG and others), casual games (including parkour, idle games and others), SLG (including tower defense and others), ACT and STG. As of the same date, four of our existing games and four of our pipeline games were developed in-house and the rest were in-licensed from third-party developers. Moreover, we plan to launch new local versions of two of our landmark games in 2022.

Our games typically have strong storylines and provide relaxing experiences to the players at their leisure time. Players may role-play our game characters, explore the virtual world, gather resources, amass collectibles and upgrade their bases and avatars as dynamic in-game events constantly occur. With engaging storylines, smooth learning curves, abundant culture references and captivating graphics and music, our games provide relaxing gameplay experiences that are designed to interweave seamlessly with our players' daily routines, achieving high user stickiness and extending the games' lifecycle.

With a global vision, we also publish and operate games, by ourselves or through third parties, in overseas markets including Hong Kong, Macau, Taiwan, South Korea, Japan, Europe, the U.S., Southeast Asia and the Middle East.

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Our Landmark Games

A number of our mobile games have achieved excellent market reception. We discuss below our selected landmark games, based primarily on their revenue contribution, ratings and market reception.

The Marvelous Snail (最強蝸牛)

The Marvelous Snail (最強蝸牛), officially launched in June 2020, is our self-developed idle game. This game provides an engaging storyline where players role-play the time-traveling brave little snail and take on adventures across eight civilizations in a mission to save the whole world from the impending apocalypse. In general, players simply click on this game occasionally for the plot to proceed and make the storyline progress. This game also integrates mini-games that are independent from the storyline and rewards the players with virtual items and virtual currencies that may be used in the storyline. Our utilization of cutting-edge technologies and development tools, such as customized and optimized Cocos2dx, allows us to deliver smooth game performance. Its doodle-like aesthetics and upbeat background music can draw players' attention, thereby attracting new players. In addition, it has more than 3,000 independently-designed characters and over 500,000 characters of dialog integrating popular humorous twists and punchlines, which deliver an amusing experience to players. As of the Latest Practicable Date, the game was available in simplified and traditional Chinese. We released a new version with substantial updates of this game in June 2021 with new content, plot and roles, where players can play multiple roles and enjoy enhanced immersive experience in the game. We have crafted the multi-role storyline of this new version to be laden with topics for interactions among players, so as to raise the game's following and discussion on social media platforms. In addition, we plan to launch a local version for *The Marvelous Snail (最強蝸牛)* in Japan in the second quarter of 2022.

The Marvelous Snail (最強蝸牛) generated gross billings exceeding RMB400 million in the first month following its launch in June 2020, over RMB1.8 billion in the first year after its launch and approximately RMB2.0 billion as of August 31, 2021, which was higher than most of its peer games in mainland China, according to Frost & Sullivan. The game recorded more than 19.9 million cumulative registered players as of June 30, 2021, approximately 12 months from its launch. In addition, it had an average MAU of 4.4 million and an average MPU of over 700 thousand from June to December 2020. Further, the average weekly player retention rate of *The Marvelous Snail (最強蝸牛)* exceeded 28% from its launch to June 30, 2021, which was significantly higher than the industry average of approximately 12% for idle games, according to Frost & Sullivan. The game was awarded as the Outstanding Game of the Year for Storyline and Outstanding Game of

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the Year for Innovative Gameplay by Beijing International Game Innovation Conference and the Players' Most Anticipated Game by Huawei AppGallery in 2020. The game also received over 120 times of "Editor's Choice" recommendation on the iOS App Store in China in 2020. In addition, after its launch, the game topped the iOS and Google Play Top 10 Free Games Charts in Hong Kong and Taiwan in 2020, and obtained the ranking of No. 1 on the Google Play Games List in Hong Kong and iOS Bestseller Games List in Taiwan. It also obtained the ranking of No. 2 on the iOS Bestseller Games List in China in 2020. The game generated aggregate revenues of RMB1,688.1 million during the Track Record Period.

Gumballs & Dungeons (不思議迷宮)

Gumballs & Dungeons (不思議迷宮) is our self-developed rogue-like RPG launched in August 2016. Players role-play a gumball, the main character of this game, which is a bouncy creature determined to become a hero by embarking on a journey through the four corners of the world. As the plot develops, the character develops mainly through dungeon crawls, where players encounter friendly and hostile mystical creatures, beasts and fellow gumballs, and upgrade their own gumball along the way. This game provides players with a fun and captivating experience and, with more than 200 types of gumballs, hundreds of possible role combinations and more than 20 themed mazes, even proficient players can find surprises in the game from time to time. This game is powered by customized and optimized Cocos2dx, which allows this game to run smoothly even with a large number of concurrent players at the peak. This game had approximately 4.7 million cumulative registered players in the overseas markets as of June 30, 2021, with localized versions in five language versions including English, Japanese, Korean, and simplified and traditional Chinese.

Gumballs & Dungeons (不思議迷宮) maintains its outstanding performance, though it has been launched for more than four years. The game was nominated for the Best Chinese Game Award by TGA in 2017 and pocketed the Black Stone Award for Most Popular Indie Games by Mobile Hardcore Alliance in 2017. It has also been recommended by both Google Play and iOS App Store in multiple regions around the globe. It had received around 80 times of "Editor's Choice" recommendation and obtained the highest score of 4.9 out of 5.0 on the iOS App Store in China as of the Latest Practicable Date. In 2020, it generated total gross billing of approximately RMB102 million and achieved an average MAU of over 390 thousand. The game generated aggregate revenues of RMB173.0 million during the Track Record Period.

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Lantern and Dungeon (提燈與地下城)
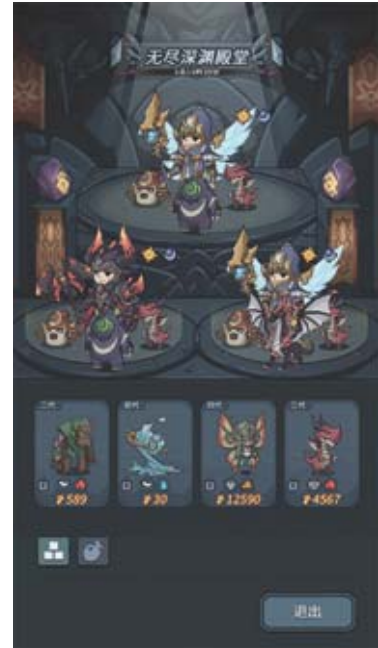
Lantern and Dungeon (提燈與地下城) is our in-licensed rogue-like RPG officially launched in March 2021. This game runs in portrait mode, and its user interface is designed to allow players to navigate singlehandedly. Players can incubate a collection of minions dropped by defeated enemies in the game to assemble a task force and help the main character wade through the vast, randomly-generated dungeon world. Each of these minions can be customized to acquire its unique set of skills and equipment. A key feature of this game is that the players can manually adjust the brightness of the lantern, which affects the difficulty and yield of this game. In this way, the game is able to attract players across the spectrum: while hardcore players can choose to have a dimmed lantern to obtain more virtual currency, experience, minions and equipment, casual players can have fun simply with a bright lantern. As of the Latest Practicable Date, this game was available in simplified Chinese. In addition, we plan to launch *Lantern and Dungeon (提燈與地下城)* in Hong Kong, Macau and Taiwan in the second quarter of 2022.

Lantern and Dungeon (提燈與地下城) had more than one million active users with peak concurrent users exceeding 250 thousand on its official launch day. The game topped the iOS Top 10 Free Games Chart in China for six consecutive days after its launch and obtained the ranking of No. 4 on the iOS Bestseller Games List in China. The game had received over 30 times of "Editor's Choice" recommendation on the iOS App Store as of the Latest Practicable Date. The game generated gross billings exceeding RMB185 million in the first month following its launch. As of June 30, 2021, it had recorded approximately 4.4 million cumulative registered players. For the six months ended June 30, 2021, it achieved an average MAU of 1.4 million, an average MPU of 385 thousand and an average weekly player retention rate of 39.3%. The game generated aggregate revenues of RMB232.2 million during the Track Record Period.

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Ares Virus (阿瑞斯病毒)

Ares Virus (阿瑞斯病毒), launched in August 2018, is our in-licensed zombie survival RPG with a top-down still view and distinct fresh ballpoint style. To survive the apocalyptic world and avenge the teammates and friends, a player needs to craft equipment and supplies in the shelter, explore the wilderness and ruins, defend himself or herself from swarms of a wide spectrum of hostile creatures, and eventually unveil and vanquish a secretive crime syndicate. Playthroughs can be very different among players: players can make various choices when interacting with different non-player characters, which will unlock different storylines; each type of enemies has their own attack patterns and weaknesses, which can be exploited for an easier defeat; a plethora of gadgets, equipment and consumables have different stats and uses, which allow endless possibilities for character development. As of the Latest Practicable Date, it was available in simplified and traditional Chinese and English versions.

Before its official launch in August 2018, *Ares Virus (阿瑞斯病毒)* had already received more than 200,000 advanced reservations and obtained a score of 8.6/10 on TapTap, higher than the average level of game score (around 6/10) on TapTap. It topped the iOS Paid Games List in China overnight after its official launch, and it remained as one of the top 10 iOS Paid Adventure Games for over 30 days. The game had received over 10 times of "Editor's Choice" recommendation and obtained the highest score of 4.8 out of 5.0 on the iOS App Store in China as of the Latest Practicable Date. The game won OPPO's Best Spark Game in 2018. Even without incurring substantial cost for customer acquisition, *Ares Virus (阿瑞斯病毒)* achieved great reputation and brand recognition.

As of June 30, 2021, *Ares Virus (阿瑞斯病毒)* had recorded more than 16.5 million cumulative registered players. At its peak, it achieved an MAU of 3.6 million. In the six months ended June 30, 2021, it achieved an average weekly player retention rate of 24.1%. The game generated aggregate revenues of RMB36.7 million during the Track Record Period.

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Eternal Adventure (無盡大冒險)

Eternal Adventure (無盡大冒險), launched in June 2015, is one of our self-developed classic games that combine the features of idle gameplay experience and Diablo-like adventure. Players are able to roam the vast virtual world fearlessly in one of the seven professions, grow their characters and defeat various enemies. Like other idle games, this game can almost run without players' constant clicking. In boss fights and dungeon challenges, relatively more strategic decision-making is needed to ensure a higher rating of the character's performance, which is necessary to obtain higher rewards. As each boss and dungeon has their own unique strengths and weaknesses, it is crucial that a player matches the corresponding suites of equipment to ensure his or her survival. With a wide selection of armors, weapons, runes and skills, this game allows endless possibilities of character development. *Eternal Abyss (地下秘境)* is a special dungeon in this game that poses serious challenges to even the most experienced players, granting unlimited theoretical replayability. It is available in simplified Chinese and Japanese versions.

We have been constantly improving *Eternal Adventure (無盡大冒險)* since its launch. In 2019, we launched a significantly updated version of this game with entirely newly designed graphics, user interface, model and special effects. This version has led to an increase of over 60% in the newly-registered players of this game, an increase of over 160% in the average MPUs of this game, and an increase of over 260% in the gross billings of this game, from 2018 to 2019. The game had received over 150 times of "Editor's Choice" recommendation and obtained the highest score of 4.7 out of 5.0 on the iOS App Store in China as of the Latest Practicable Date. As of June 30, 2021, it had recorded over 1.9 million cumulative registered players. The game generated aggregate revenues of RMB33.9 million during the Track Record Period.

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Our Existing Game Portfolio

We have established a robust game portfolio. As of the Latest Practicable Date, our games had different versions in a total of five languages across China and the overseas markets. The following table sets forth certain details of our existing games as of the Latest Practicable Date.

Title	Mobile Game Genre	Languages	Publishing Model(s) as of the Latest Practicable Date	Official Launch Date(1)	Major Market(s)(2)	Source	Lifecycle Stage as of the Latest Practicable Date(3)	Expected Lifecycle(3)(4)	Remaining Duration of Lifecycle as of the Latest Practicable Date
The Marvelous Snail (最強蝸牛)	Idle	Chinese (Simplified/ Traditional)	Self-publishing	June 2020	Mainland China	Developed in-house	Maturity (aged 17 months)	96 months	79 months
			Third-party publishing	July 2020	Hong Kong, Macau and Taiwan	Developed in-house	Maturity (aged 16 months)	96 months	80 months
Gumballs & Dungeons (不思議迷宮)	Rogue-like RPG	Chinese (Simplified/ Traditional), English, Japanese and Korean	Self-publishing	August 2016	Southeast Asia, Europe (regions other than French-, German- and Russian-speaking regions) and the U.S.	Developed in-house	Maturity (aged 63 months)	96 months	33 months
			Third-party publishing	December 2016	Mainland China, Hong Kong, Macau, Taiwan, South Korea, the Middle East, Europe (French-, German- and Russian-speaking regions)	Developed in-house	Maturity (aged 59 months)	96 months	37 months
Lantern and Dungeon (提燈與地下城)	Rogue-like RPG	Chinese (Simplified)	Self-publishing	March 2021	Mainland China	In-licensed	Maturity (aged 8 months)	60 months	52 months
Ares Virus (阿瑞斯病毒)	Other RPG	Chinese (Simplified/ Traditional); English	Self-publishing	August 2018	Mainland China and the U.S.	In-licensed	Maturity (aged 39 months)	60 months	21 months
Eternal Adventure (無盡大冒險)	Idle	Chinese (Simplified) and Japanese	Self-publishing	June 2015	Mainland China	Developed in-house	Maturity (aged 77 months)	96 months	19 months
			Third-party publishing	July 2020	Japan	Developed in-house	Maturity (aged 16 months)	60 months	44 months
Yu Gong 3 (愚公移山3—智叟的反擊)	Idle	Chinese (Simplified)	Self-publishing	January 2017	Mainland China	Developed in-house	Recession (aged 58 months)	66 months	8 months

Notes:

(1) The official launch date is the launch date that we announced on our official website.

(2) Major markets are the ones we considered to be of strategic importance.

(3) As our games are available in various language versions, a game's lifecycle is the lifecycle(s) of the game's language version(s) in the respective major market(s).

(4) Expected lifecycles (months) are estimated based on the industry average lifecycles by different genres of games, our past experience of operating similar games and gross billings generated by the relevant game. However, the actual lifecycles of these games may differ from the time presented in the table.

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The following table sets forth the gross billings of our existing games at different stages of the lifecycle during the Track Record Period.

	Lifecycle stage	Gross billings (RMB in millions)
The Marvelous Snail (最強蝸牛)	Growth	1,635.7
	Maturity	227.3
Gumballs & Dungeons (不思議迷宮)	Maturity	483.1
Lantern and Dungeon (提燈與地下城)	Growth	247.2
Ares Virus (阿瑞斯病毒)	Growth	15.9
	Maturity	16.9
Eternal Adventure (無盡大冒險)	Growth	0.9
	Maturity	29.3
Yu Gong 3 (愚公移山3)	Maturity	6.3
	Recession	0.1

We actively take the following measures to extend our games' lifecycles: (i) our game publishing and operation team and game development team work closely and continuously on updating and operating the games after their launch; (ii) we have established a comprehensive systematic approach to game development and operation, including (a) monitoring and analyzing players' feedback and gameplay habits and continuously offering new contents and gameplays, (b) communicating with QingCi Enthusiasts, posting interesting game-related content and collecting QingCi Enthusiasts' feedback in our QingCi community, (c) offering online community events for holidays, (d) continuously updating our games with elements of popular culture and other features, and (e) continuously conducting promotional activities such as brand promotion and traffic acquisition; and (iii) we offer a quality game environment to our players, including preventing the use of plug-in cheating software, filtering inappropriate or illegal messages sent by players and detecting and fixing technical issues in time. See "—Our Business Processes—Game Publishing and Operation" and "—Player Community" for more details.

Our Directors are of the view, which the Joint Sponsors concur, that the expected lifecycles of our games are reasonable taking into account (i) the measures and efforts undertaken by us in extending the lifecycles of our games as summarized above, (ii) the historical performance and operating metrics of our games supporting our capabilities in extending the lifecycles of our games; for example, we have established track record in operating *Gumballs & Dungeons (不思議迷宮)* and *Eternal Adventure (無盡大冒險)* since 2016 and 2015, respectively, as evidenced by, among others, (a) our maintaining an average weekly player retention rate of 22.6% and 28.4% for these two games in the six months ended June 30, 2021, respectively, after more than 58 months and 72 months of operations of these two games, as compared to the respective industry average of 10.2% and 12.0% for rogue-like RPGs and idle games for the same period, and (b) the revenue contribution, average MAUs, average MPUs and ARPPU for these two games during the Track Record Period as detailed in "—Key Operating Metrics," and (iii) from the industry perspective, (a) our remarkable position in casual games, idle games and rogue-like RPGs as evidenced by our ranking as the third, second and second largest mobile game company in China in 2020 in terms of gross billings from casual games, idle games and self-developed rogue-like RPGs, respectively, and (b) the established potential for high-quality popular casual games and RPGs to operate for a period significantly longer than the industry average, according to Frost & Sullivan, as supported by the existence of high-performing games achieving lifecycles of over 96 months and over 161 months, respectively, for example. See "Industry Overview—Overview of China's Mobile Game Market—Lifecycle" for more details.

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The table below sets forth the number of our existing mobile games in operation, newly launched and terminated during the periods indicated.

	Year ended December 31,			Six months ended June 30,	Eight months ended August 31,
	2018	**2019**	**2020**	**2021**	**2021**
Number of Games					
In operation at the beginning of the year/ period	7	8	8	5	5
Newly launched	1	–	1	1	1
Terminated	–	–	4[1]	–	–
In operation at the end of the period	**8**	**8**	**5**	**6**	**6**

Note:

(1) Include (i) one self-developed RPG with a lifecycle of 95 months, which was launched in June 2012, (ii) one self-developed RPG with a lifecycle of 90 months, which was launched in November 2012, (iii) one self-developed RPG with a lifecycle of 61 months, which was launched in June 2015, and (iv) one in-licensed CCG with a lifecycle of 59 months, which was launched in July 2015. We decided to terminate these games after our management assessed their profitability and prospects.

Key Operating Metrics

We measure our games' performance by the following key operating metrics, namely (i) average MAUs, (ii) average MPUs, (iii) ARPPU, and (iv) cumulative registered players. The following table sets forth these operating metrics for our mobile games that were in operation as of the Latest Practicable Date.

	Year ended December 31,			Six months ended June 30,	Eight months ended August 31,
	2018	**2019**	**2020**	**2021**	**2021**
Average MAUs[1] (in thousands)	1,693	1,240	3,448	3,064	2,935
Average MPUs (in thousands)	163	114	495	575	510
ARPPU (RMB)	49	62	206	221	N/A

	As of December 31,			As of June 30,	As of August 31,
	2018	**2019**	**2020**	**2021**	**2021**
Cumulative registered players (in thousands)	27,458	35,978	59,585	67,979	70,151

Note:

(1) MAUs for *Gumballs & Dungeons* in South Korea for the eight months ended August 31, 2018 are unavailable and the revenue contribution of this game from South Korea was relatively small during the Track Record Period.

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The following tables set forth the revenue contribution and performance of our mobile games that were in operation as of the Latest Practicable Date.

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in thousands)			*(Unaudited)*	
Revenues[1]					
The Marvelous Snail (最強蝸牛)	–	1,871	1,169,742	56,683	516,487
Gumballs & Dungeons (不思議迷宮)	72,839	53,286	36,393	21,067	10,458
Lantern and Dungeon (提燈與地下城)	–	–	2,773	–	229,392
Ares Virus (阿瑞斯病毒)	14,140	10,068	8,485	3,942	4,055
Eternal Adventure (無盡大冒險)	4,237	19,247	8,182	6,085	2,281
Yu Gong 3 (愚公移山3)	4,029	1,682	620	567	198

Note:

(1) The revenues for each game included revenues generated from the pre-launch testing stage of the games (where applicable) during the Track Record Period, which were immaterial.

The following tables set forth a breakdown of our revenues generated by game for the periods indicated.

Game operating revenues—self-developed

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in thousands)			*(Unaudited)*	
The Marvelous Snail (最強蝸牛)	–	1,871	1,063,345	50,207	490,960
Gumballs & Dungeons (不思議迷宮)	25,017	19,704	12,226	7,251	3,414
Eternal Adventure (無盡大冒險)	4,237	18,008	5,743	4,182	1,743
Others	6,227	3,735	984	445	274
Total	**35,481**	**43,318**	**1,082,298**	**62,085**	**496,391**

Game operating revenues—licensed

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in thousands)			*(Unaudited)*	
Lantern and Dungeon (提燈與地下城)	–	–	2,773	–	229,392
Ares Virus (阿瑞斯病毒)	14,132	9,557	8,075	3,778	3,850
Others	978	497	302	274	–
Total	**15,110**	**10,054**	**11,150**	**4,052**	**233,242**

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Game licensing revenue

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in thousands)				
				(Unaudited)	
The Marvelous Snail (最強蝸牛)	–	–	34,026	–	11,817
Gumballs & Dungeons (不思議迷宮)	47,822	33,582	24,167	13,816	7,044
Eternal Adventure (無盡大冒險)	–	–	335	335	68
Others	–	–	48	47	1
Total	**47,822**	**33,582**	**58,576**	**14,198**	**18,930**

Information service revenue

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in thousands)				
				(Unaudited)	
The Marvelous Snail (最強蝸牛)	–	–	72,371	6,477	13,710
Ares Virus (阿瑞斯病毒)	8	511	410	163	205
Eternal Adventure (無盡大冒險)	–	1,239	2,104	1.567	470
Others	–	–	11	8	2
Total	**8**	**1,750**	**74,896**	**8,215**	**14,387**

	Year ended December 31,			Six months ended June 30,	Eight months ended August 31,
	2018	**2019**	**2020**	**2021**	**2021**
	(in thousands)				
Average MAUs					
The Marvelous Snail (最強蝸牛)	–	–	4,417	1,481	1,431
Gumballs & Dungeons (不思議迷宮)	903	536	394	240	235
Lantern and Dungeon (提燈與地下城)	–	–	–	1,401	1,017
Ares Virus (阿瑞斯病毒)	1,585	572	424	380	477
Eternal Adventure (無盡大冒險)	43	90	42	24	22
Yu Gong 3 (愚公移山3)	86	43	11	4	6

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	Year ended December 31,			Six months ended June 30,	Eight months ended August 31,
	2018	2019	2020	2021	2021
	(in thousands)				
Average MPUs					
The Marvelous Snail (最強蝸牛)	–	–	701	257	241
Gumballs & Dungeons (不思議迷宮)	96	66	52	32	31
Lantern and Dungeon (提燈與地下城)	–	–	–	385	269
Ares Virus (阿瑞斯病毒)	135	28	26	25	32
Eternal Adventure (無盡大冒險)	7	18	8	4	4
Yu Gong 3 (愚公移山3)	4	2	1	0.4	0.6

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
ARPPU (RMB)				
The Marvelous Snail (最強蝸牛)	–	–	238	335
Gumballs & Dungeons (不思議迷宮)	63	67	59	55
Lantern and Dungeon (提燈與地下城)	–	–	–	149
Ares Virus (阿瑞斯病毒)	21	30	27	27
Eternal Adventure (無盡大冒險)	54	90	89	88
Yu Gong 3 (愚公移山3)	77	70	82	82

	As of December 31,			As of June 30,	As of August 31,
	2018	2019	2020	2021	2021
	(in thousands)				
Cumulative Registered Players					
The Marvelous Snail (最強蝸牛)	–	–	17,929	19,935	20,638
Gumballs & Dungeons (不思議迷宮)	18,539	21,120	22,884	23,297	23,426
Lantern and Dungeon (提燈與地下城)	–	–	–	4,373	4,569
Ares Virus (阿瑞斯病毒)	6,610	11,447	14,947	16,452	17,551
Eternal Adventure (無盡大冒險)	814	1,490	1,801	1,880	1,901
Yu Gong 3 (愚公移山3)	1,495	1,920	2,024	2,043	2,065

The average MAUs, average MPUs and ARPPU of our five landmark mobile games changed during the Track Record Period in line with development of the games' lifecycle stages, our game version updates and our launches of new blockbuster games, *The Marvelous Snail (最強蝸牛)* and *Lantern and Dungeon (提燈與地下城)*. The cumulative registered players of our five landmark mobile games grew significantly during the Track Record Period, primarily due to the successful launches and development of new blockbuster games, as well our releases of updated game versions. In addition, the generally strong performance of our landmark mobile games during the Track Record Period was mainly attributable to our captivating games with good quality, our excellent monetization strategies and our ability to retain players with strong willingness to pay.

Our games typically experience a lifecycle comprising: a fast growth stage starting from the time of game launch, a relatively long maturity stage, and a recession stage before the game is terminated. The game stages are based on the growth rates of players and revenue. According to Frost & Sullivan, during the growth stage, the

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number of players and revenue generated from the game tend to increase relatively fast as a result of the comprehensive marketing and promotion campaigns; during the maturity stage, the game has gained its player base and market share, and the gross billings generated by the game generally remains stable; and during the recession stage, the number of game players and the gross billings typically decline significantly. According to Frost & Sullivan, a game typically generates 25% to 35%, 55% to 65% and 10% to 20%, respectively, of the total revenue it generates throughout its lifecycle at the growth stage, the maturity stage and the recession stage. The lifecycles of our games in operation as of the Latest Practicable Date are generally 60 to 96 months. According to Frost & Sullivan, the average lifecycles of casual games (including idle games) and RPGs (including rogue-like RPGs) are approximately 10 months and 12 months, respectively, while the top five casual games and the top five RPGs measured by gross billings in China in 2020 have been in operation for an average of over 55 months and over 34 months, respectively, which are much longer than the industry average. Our games' relatively long lifecycles were primarily attributable to our strong game development, publishing and operation capabilities, including by producing and updating our games to provide our players with fresh and engaging experiences to retain our existing players and extend our games' lifecycles.

The following tables set forth the distribution during the periods indicated of paying user by range of gross billings in absolute numbers and as percentages of total paying users, for each of our mobile games that were in operation as of the Latest Practicable Date. Our calculations did not consider each game's data before its official launch, which were immaterial.

The Marvelous Snail (最強蝸牛)

	Year ended December 31,						Six months ended June 30,	
	2018		2019		2020		2021	
	Number	%	Number	%	Number	%	Number	%
			(in thousands, except %)					
Gross billings (RMB)								
0 – 500	N/A	N/A	N/A	N/A	1,877	83.2	472	82.4
500 – 1,000	N/A	N/A	N/A	N/A	152	6.7	39	6.7
More than 1,000	N/A	N/A	N/A	N/A	226	10.0	62	10.9
Total	N/A	N/A	N/A	N/A	2,255	100.0	573	100.0

Gumballs & Dungeons (不思議迷宮)[1]

	Year ended December 31,						Six months ended June 30,	
	2018		2019		2020		2021	
	Number	%	Number	%	Number	%	Number	%
			(in thousands, except %)					
Gross billings (RMB)								
0 – 100	315	67.1	163	63.0	100	59.1	50	62.8
100 – 200	51	10.9	31	12.0	24	14.3	10	13.3
More than 200	103	22.0	65	25.0	45	26.5	19	23.9
Total	469	100.0	258	100.0	168	100.0	79	100.0

Note:

(1) The calculation did not consider the number of paying users of *Gumballs & Dungeons (不思議迷宮)* in overseas markets during the Track Record Period, because it is impracticable for us to accurately calculate gross billings generated from each player in different foreign currencies.

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Lantern and Dungeon (提燈與地下城)

| | Year ended December 31, | | | | | | Six months ended June 30, | |
| | 2018 | | 2019 | | 2020 | | 2021 | |
	Number	%	Number	%	Number	%	Number	%
			(in thousands, except %)					
Gross billings (RMB)								
0 – 100	N/A	N/A	N/A	N/A	N/A	N/A	990	72.2
100 – 200	N/A	N/A	N/A	N/A	N/A	N/A	164	12.0
More than 200	N/A	N/A	N/A	N/A	N/A	N/A	218	15.9
Total	N/A	N/A	N/A	N/A	N/A	N/A	1,372	100.0

Ares Virus (阿瑞斯病毒)

| | Year ended December 31, | | | | | | Six months ended June 30, | |
| | 2018 | | 2019 | | 2020 | | 2021 | |
	Number	%	Number	%	Number	%	Number	%
			(in thousands, except %)					
Gross billings (RMB)								
0 – 100	631	97.9	304	96.7	285	96.9	135	96.5
100 – 200	10	1.5	7	2.3	6	2.1	3	2.3
More than 200	4	0.6	3	1.1	3	1.0	2	1.1
Total	644	100.0	315	100.0	294	100.0	140	100.0

Eternal Adventure (無盡大冒險)

| | Year ended December 31, | | | | | | Six months ended June 30, | |
| | 2018 | | 2019 | | 2020 | | 2021 | |
	Number	%	Number	%	Number	%	Number	%
			(in thousands, except %)					
Gross billings (RMB)								
0 – 100	58	82.2	133	75.9	65	82.2	18	82.0
100 – 200	7	10.0	21	11.7	7	8.5	2	8.3
More than 200	5	7.8	22	12.3	7	9.3	2	9.7
Total	70	100.0	175	100.0	79	100.0	23	100.0

Yu Gong 3 (愚公移山3)

| | Year ended December 31, | | | | | | Six months ended June 30, | |
| | 2018 | | 2019 | | 2020 | | 2021 | |
	Number	%	Number	%	Number	%	Number	%
			(in thousands, except %)					
Gross billings (RMB)								
0 – 100	35	84.5	16	85.9	5	85.4	1.6	85.4
100 – 200	4	8.4	1	7.7	0.4	7.3	0.1	7.5
More than 200	3	7.1	1	6.4	0.4	7.2	0.1	7.1
Total	42	100.0	19	100.0	6	100.0	1.9	100.0

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The Marvelous Snail (最強蝸牛) was launched in June 2020 and remained at the growth stage until it reached the maturity stage in March 2021. Therefore, the paying users of this game decreased from 2020 to the six months ended June 30, 2021.

Gumballs & Dungeons (不思議迷宮) was at the maturity stage during the Track Record Period. This game's paying users decreased gradually, which was consistent with the typical performance of a game at the maturity stage absent substantial marketing and releases of new versions with substantial updates.

Ares Virus (阿瑞斯病毒) was launched in August 2018 and entered the maturity stage in March 2019. Therefore, this game's paying users decreased significantly from 2018 to 2019 and then decreased slightly in 2020 and the six months ended June 30, 2021.

Eternal Adventure (無盡大冒險) was mainly at the maturity stage during the Track Record Period. Its relatively high paying users in 2019 were primarily because we released a new version with substantial updates of the game that year.

Yu Gong 3 (愚公移山3) was at the maturity stage and its paying users gradually decreased during the Track Record Period.

As indicated by the data above, the percentages of paying users by range of gross billings for *The Marvelous Snail (最強蝸牛)*, *Gumballs & Dungeons (不思議迷宮)*, *Lantern and Dungeon (提燈與地下城)*, *Ares Virus (阿瑞斯病毒)*, *Eternal Adventure (無盡大冒險)* and *Yu Gong 3 (愚公移山3)* did not fluctuate materially during the Track Record Period.

Our Game Pipeline

Building upon our successful track record, we have continued to develop local versions for the overseas markets and develop and license in high-quality idle and rogue-like RPGs as well as explore new-genre games.

The table below sets forth a breakdown of local versions of our existing games that we plan to launch in the near future. The launch date for each of these local versions is subject to changes according to their respective development status and our marketing strategies.

Title	Mobile Game Genre	Source	Expected Launch Date	Markets for the Local Versions
Lantern and Dungeon (提燈與地下城)	Rogue-like RPG	In-licensed	Second quarter of 2022	Hong Kong, Macau and Taiwan
The Marvelous Snail (最強蝸牛)	Idle game (a type of casual games)	Developed in-house	Second quarter of 2022	Japan

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As of the Latest Practicable Date, we also had a pipeline of 10 new mobile games, covering a wide range of genres and types. Based on our knowledge and insights of these markets, we expect to self-publish these games and launch the first local version for each of these games in 2022 and 2023 and will release these games in markets such as mainland China, Hong Kong, Macau and Taiwan, Japan, South Korea, Europe and the U.S. The specific target markets of each game may vary depending on the game's development progress and post-launch performance, market conditions and our marketing strategies. We expect our game portfolio to expand in the foreseeable future as we continue to develop additional games in-house and seek out quality games to license in from third-party developers. The table below sets forth details of our pipeline games as of the Latest Practicable Date.

Title[1]	Mobile Game Genre[1]	Source	Development Stage as of the Latest Practicable Date[1]	Expected Launch Date[1]
Time Voyager (時光旅行社)	Rogue-like RPG	Developed in-house	Game production, testing and optimization	First quarter of 2022
Project A	Tower defense (a type of SLG)	Developed in-house	Game production, testing and optimization	Fourth quarter of 2022
Servitor Project (使魔計畫)	Idle game (a type of casual games)	Developed in-house	Game production, testing and optimization	Third quarter of 2022
Ares Virus 2 (阿瑞斯病毒2)	RPG	In-licensed	Game production, testing and optimization	Second quarter of 2022
Project B	Casual game	In-licensed	Game production, testing and optimization	Third quarter of 2022
Loot Rush (騎士沖鴨)	ACT RPG	In-licensed	Game production, testing and optimization	Second quarter of 2022
Project C	ACT	In-licensed	Demo production	Third quarter of 2022
Project D	STG	In-licensed	Demo production	Fourth quarter of 2022
Bladeheart Ninja 2 (刃心2)	Parkour (a type of casual games)	In-licensed	Game production, testing and optimization	Fourth quarter of 2022
Project E	SLG	Developed in-house	Demo production	Second quarter of 2023

Note:

(1) The expected launch date for each game refers to the launch date for the first local version of the game to be released. The title, genre, expected launch date, publishing model and other information of each game in the pipeline may be subject to changes according to their respective development and, in the case of games to be launched in China, preapproval status.

PLAYER COMMUNITY

We have nurtured vibrant QingCi community of players on various mobile game forums and social media platforms. As of October 31, 2021, our games had accumulated 10.4 million QingCi Enthusiasts who were connected with us on our official accounts and groups on social media platforms, such as TapTap (over 5 million

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followers), WeChat (over 3 million followers), Tencent QQ (over 532 thousand group members) and Bilibili (over 600 thousand followers). Below are pictures for some of the online and offline events we organized for our community players:

Online community event for
the Chinese New Year

Online community event for
the Labor Day Holiday

Offline event for our players

We attract players to our QingCi community mainly through introducing our social media platform accounts in our games, and we retain players by organizing activities and encouraging player interactions via our official accounts on various social media platforms. We have a dedicated operation team that manages our player community accounts and actively interacts with the community participants. Through the QingCi community, our players can receive from us latest information about our games, including recent events we organize, opportunities to participate in testing our new games and free in-game virtual items. We also proactively seek players' feedback on our games and organize online and offline player activities to enhance players' sense of belonging and identification with us. For example, we organize offline events for our players, including group games and communications between our players and our game development team.

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We highly value players' feedback on our games, and testing by our community players is an important step of our game development. As early as the "demo" stage, we would invite community players on our various social media accounts to participate in our games' testing. The community players' feedback and testing data help us to efficiently verify the games' designs, core gameplay, player experiences and overall commercial potential, so that we can timely adjust and optimize our game development strategies.

In addition, we use WeChat, Tencent QQ and other social media platforms to promote our new games to the community players, and as a result, many players of our existing games have learned of and registered for our new games. For example, in the first month after its launch, approximately 1.7 million of the 3.8 million registered players of *Lantern and Dungeon (提燈與地下城)* were converted from our other games, despite their different genres and characteristics. Before the official launch of a game, we publish notices of the game on our official website, our official accounts on platforms such as TapTap, and certain other online platforms such as Bilibili and Douyin, to warm up our targeted players. After the game is launched, we proactively interact with our players primarily through our official accounts on social media platforms and invite KOLs and our QingCi Enthusiasts to share professionally-produced content and user-generated content that are customized for our players to increase players' engagement with our games.

AWARDS AND RECOGNITION

We have received recognition for the quality and market reception of our games. Some of the significant awards and recognition we had received as of the Latest Practicable Date are set out below.

Award/Recognition	Award Year(s)	Awarding Institution/Authority	Entity/Game
Editor's Choice (編輯推薦)	2020	iOS App Store; Google Play	*The Marvelous Snail (最強蝸牛)*
Editor's Choice (編輯推薦)	2018-2020	iOS App Store; Google Play	*Gumballs & Dungeons (不思議迷宮)*
Most Influential Partner (最具影響力合作夥伴)	2020	Pangle.cn	*The Marvelous Snail (最強蝸牛)*
Outstanding Game of the Year for Storyline and Outstanding Game of the Year for Innovative Gameplay (年度優秀遊戲—玩法創新；年度優秀遊戲—劇情)	2020	Beijing International Game Conference	*The Marvelous Snail (最強蝸牛)*
Nomination for China's Top 10 New Games and Nomination for China's Top 10 Games Development Teams (2020年度中國遊戲十強新銳遊戲提名；2020年度中國遊戲十強遊戲研發團隊提名)	2020	GPC	QC Digital
Cicada Award for Most Popular App of the Year and Cicada Award for Best Design Award (蟬鳴獎：年度最具人氣APP；年度最佳設計獎)	2020	Global Mobile Cicada Awards	*The Marvelous Snail (最強蝸牛)*
Players' Anticipated Game (玩家期待獎)	2020	Huawei	*The Marvelous Snail (最強蝸牛)*
Whale Sound Award for Top 10 Games of the Year (鯨鳴獎：年度十佳出海遊戲)	2020	Global Traffic Conference	*The Marvelous Snail (最強蝸牛)*
Outstanding Game Producer of the Year and Influential Game of the Year (第五屆金陀螺獎：年度傑出遊戲製作人獎，年度影響力遊戲獎)	2020	2020 Future Business Ecological Conference	*The Marvelous Snail (最強蝸牛)*
OPPO's Best Spark Game (最佳星火遊戲)	2018	OPPO	*Ares Virus (阿瑞斯病毒)*

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Award/Recognition	Award Year(s)	Awarding Institution/Authority	Entity/Game
Wandoujia Design Award – Game of the Year (豌豆莢設計獎：2018年度遊戲)	2018	Wandoujia (豌豆莢)	*Ares Virus (阿瑞斯病毒)*
Nomination for Best Chinese Game Award	2017	TGA	*Gumballs & Dungeons (不思議迷宮)*
Black Stone Award for Most Popular Indie Game (黑石獎：最受歡迎獨立遊戲)	2017	Mobile Hardcore Alliance	*Gumballs & Dungeons (不思議迷宮)*
Wandoujia Design Award (豌豆莢設計獎)	2017	Wandoujia (豌豆莢)	*Gumballs & Dungeons (不思議迷宮)*

OVERSEAS MARKETS

We have been expanding our business globally since 2016, targeting a large worldwide player base, backed by our superior localization capabilities. The following table sets forth a breakdown of our revenues by geographic area in absolute amounts and as percentages of our total revenues for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)						*(Unaudited)*			
Mainland China	67,044	68.1	62,686	70.7	1,178,903	96.1	80,353	90.7	742,945	97.4
Outside mainland China[1]	31,377	31.9	26,018	29.3	48,017	3.9	8,197	9.3	20,005	2.6
Total	**98,421**	**100.0**	**88,704**	**100.0**	**1,226,920**	**100.0**	**88,550**	**100.0**	**762,950**	**100.0**

Note:

(1) Revenues from outside mainland China mainly included revenues from local versions of games operated in the U.S., Hong Kong, Taiwan and Macau.

During the Track Record Period, our revenues from the overseas markets were primarily from *Gumballs & Dungeons (不思議迷宮), The Marvelous Snail (最強蝸牛)* and *Eternal Adventure (無盡大冒險)*. We plan to launch local versions for *Lantern and Dungeon (提燈與地下城)* in Hong Kong, Macau and Taiwan and *The Marvelous Snail (最強蝸牛)* in Japan in the second quarter of 2022. In addition, we also expect to distribute nine of our 10 pipeline games in the overseas markets.

While our landmark games have achieved respectable performance in China, we need to make substantial localization efforts to adapt our games to the overseas markets' linguistic and cultural background to attract local players. For example, we make local language versions of our games for the targeted overseas markets and engage local experts to provide game content input and marketing support. Our games have been recognized in the overseas markets for innovation and high quality. For example, after its launch, *The Marvelous Snail (最強蝸牛)* topped the iOS and Google Play Top 10 Free Games Charts in Hong Kong and Taiwan in 2020, and obtained the ranking of No. 1 on the Google Play Games List in Hong Kong and iOS Bestseller Games List in Taiwan.

For our games that have become popular in mainland China, we typically first promote the games in Hong Kong, Macau and Taiwan. After the games have been tested by the market in these regions, we would proceed to target the overseas Chinese in Japan and South Korea and then gradually penetrate into the European and the U.S. markets to achieve a global coverage. As of June 30, 2021, we had over 8.9 million overseas cumulative registered users. We have been distributing our games in broader areas around the globe such as Hong Kong, Macau, Taiwan, South Korea, Japan, Europe, the U.S., Southeast Asia and the Middle East.

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In markets outside of mainland China, we typically publish our games through iOS App Store and Google Play. We also cooperate with third-party publishers based on the game features. We screen third-party publishing partners in overseas markets primarily by evaluating: (i) their competitiveness and resources in the local markets, (ii) their localization and operational capabilities, and (iii) their track records in publishing and distributing Chinese mobile games. For example, beginning in 2016, we commenced our global business operations by distributing *Gumballs & Dungeons (不思議迷宮)* in Hong Kong, Macau and Taiwan through third-party publishing and in Southeast Asia, the United States and Europe (regions other than French-, German- and Russian-speaking regions) through self-publishing. We have also engaged the G-bits Group to distribute and operate *The Marvelous Snail (最強蝸牛)* in Hong Kong, Macau and Taiwan. We have been focusing on distributing our games offshore primarily by ourselves beginning from 2020 as our overseas distribution platform and capabilities have significantly enhanced over the years.

OUR BUSINESS PROCESSES

Game Developing

In-house Development

Leveraging our over a decade's experience in the mobile game industry and our strong systematic game development capabilities, four of our six existing mobile games and four of our 10 pipeline games were developed in-house as of the Latest Practicable Date. As of June 30, 2021, our game development team consisted of 150 employees, approximately 77% of whom had a bachelor's degree or higher. Our game development team members have spent an average of three years with us. Their roles include producers, designers, programmers, artists, sound engineers and testing engineers. To strengthen our R&D capabilities, we also discover and incubate future game producers who display strong innovation and game design talent.

Our game development team primarily focuses on designing new games, innovating gameplay, originating game content, enhancing player experience and optimizing existing games. Our game development team works closely with our publishing and operation team at each stage of game development to optimize our games efficiently and productively. Our game development team also plays an essential role in determining the games to be licensed in by assessing the stability, benefits and risks associated with those games.

We incurred research and development expenses of RMB25.3 million, RMB25.6 million, RMB146.1 million and RMB18.0 million in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively, accounting for 25.7%, 28.9%, 11.9% and 2.4% of our total revenues for these respective periods.

Proposal Design, Market Research and Demo Production

Proposal design and market research are the pre-production phase of the game development project. We continuously study the industry trend, players' changing demands and preferences, as well as feedback on our existing games. After an idea is generated, we would form a core project team of typically less than 10 members led by a producer. The team would conduct research and analysis regarding the new project's background, target market segment and game positioning (including storyline, genre, core gameplay, graphic design, artistic style, core technology, competitive strengths, development timeline and budget). The team then formulates a detailed game development plan covering these factors. We hold project meetings to review the plan and the core project team optimizes the plan with the suggestions from our management and experienced members of our game development team and our publishing and operation team. Once approved, our core project team would proceed to prepare a game demo within the budget by incorporating the core gameplay and other critical features of the game. Our core project team continuously receives suggestions and support from our management and experienced members of our game development team and our publishing and operation team throughout the demo production process.

Gameplay Assessment

After a game demo is produced, our management and our core project team evaluate the competitiveness and monetization potential of the game. They assess the game demo primarily based on standards such as the

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game demo's potential to be developed into an innovative game and provide players with better gameplay experience compared to existing games in the market. Our management, internal specialized testers, and experienced members from our game development team and our publishing and operation team assess the game demo's quality. They try out the game demo and assess whether the core gameplay, basic functions and design achieved the planned effect, and provide feedback on game functionality and gameplay experience to the core project team for them to make improvements to the game and resolve relevant technical issues.

We select a small number of external players from our large, high-quality player community to test our game demo. These core players typically have strong enthusiasm for mobile games and are able to provide helpful feedback on the game demo. These players' feedback and testing data, which are relatively objective and close-to-market, can help us to efficiently verify the game demo's core gameplay. Our demo production and gameplay assessment process typically lasts three to six months. Once a game demo passes the gameplay assessment, we will proceed to prepare relevant documentation for game registration and obtain the game publication number from the NPPA.

Game Production, Testing and Optimization

After a game demo passes the gameplay assessment and is approved by our management, our core project team gradually expands into a full-fledged project team with diverse expertise to carry out multiple rounds of modifications, testing and optimization until the game is officially launched. The game production, testing and optimization process typically lasts 12 to 24 months. The designers, programmers and other professionals of our project team work together to produce and optimize the game. Our project team first establishes the fundamental game structure with game engines, and then refines the game development details, including plots, levels, gameplays, artistic effect, functions, economic system and combat power numerical system. Our project team customizes the game by introducing gameplays, new features and characters and building levels required by the game design and fix bugs that may arise. The project team leaders, who coordinate with our game designers and programmers, monitor the game production, testing and optimization process and control the game's quality throughout the process. In addition, our management optimizes the game under development to troubleshoot and instruct the relevant game development team to improve the game accordingly. We have in limited circumstances outsourced part of the graphic, music, and animation designing work of our games to third-party studios to optimize resource allocation. We also review their work-in-progress periodically to ensure they meet our requirements and avoid any potential delays.

We conduct multiple rounds of testing at each stage of the game production process. Before each round of testing, our project team and members of our publishing and operation team who participate in the testing will set the targets and gather the questions to be resolved during the testing process. We have different focuses for each round of testing, such as the retention related indicators and monetization related indicators. We initially conduct closed testing for our games and only players we invite from our QingCi community may participate in the testing. When we need a large number of players (such as over a hundred thousand players) to test the game, or when we need feedback from ordinary players from the market, we will place advertisements on social media platforms to attract game players, including those outside our QingCi community, to participate in our open paid testing. The open paid testing only begins after we complete the game registration and obtain the game publication number from the NPPA. In our open paid testing, game players would need to purchase in-game virtual items during the testing. After each round of testing, our project team and our publishing and operation team monitor and analyze game player activities to assess their engagement levels and evaluate the game's monetization potential, and utilize their experience and highly-efficient and customized analytics tools to analyze the data from the testing. Our game development team would further optimize the game based on the test results.

After continuous optimization, if a game reaches the testing targets confirmed by our management and our publishing and operation team, we will prepare it for the official launch. Our testing methods help us accurately forecast the number of players and their income levels and prepare a marketing and promotion plan customized for this game with an appropriate budget. Our management and our project team may terminate a game's development process if this game does not meet certain testing targets after continuous optimization.

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Official Launch and Ongoing Optimization

Following the testing process, assuming no further technical issues, we would officially publish the game by ourselves or through third-party publishers, making it available to the general public through a number of distribution channels. Our game publishing and operation team has been closely engaged throughout the game production and testing process and therefore is well-prepared to run the game. Our game development team cooperates with the publishing and operation team to conduct ongoing optimization and version updates of the game throughout its lifecycle, based on analysis of data on player behavior, feedback of players from our QingCi community and other platforms, and spending patterns, among others.

Game Licensing

In addition to our in-house developed games, we also license in games from third parties to enrich our game portfolio. In particular, we identify and acquire minority equity interests (typically not more than 30%) in other high-potential game developers and publish certain games they developed. Before we license in a game, we consider a variety of factors including the game's supplement to our portfolio, its market potential, the potential for version updates and the in-house development capability of its developer. After we obtain the game demo from a third-party developer, similar to our in-house developed games, we conduct gameplay assessment, game production, testing and optimization before launching the game. We typically assess the benefits and risks relating to target games before their approval by our management. Our game publishing and operation team participates in the research and development of the in-licensed games from a relatively early stage. For example, we deploy a dedicated team to participate in the game optimization as well as multiple rounds of testing and assessment to enhance the game's quality and optimize player experience. As a result, we are able to establish a customized basic game publishing strategy in the mid-stage of the game's research and development process.

We have entered into game licensing agreements with the relevant game developers. The major terms of these licensing agreements are set forth below:

- *Exclusivity*. We typically have the exclusive right to publish, operate, and authorize third-party publishers to jointly operate the underlying licensed games in the specified regions.

- *Term of agreement*. The term is generally three years after the relevant game's commercial operation.

- *Fee arrangement*. We generally pay fees to the third-party game developers amounting to a prescribed percentage (typically ranging from 45% to 50%) of the gross billings (which are net of commissions to payment and distribution channels, marketing and promotion expenses and other expenses, as the case may be). In addition to the monthly license fee, we also pay a lump sum license fee to the third-party game developer for one of our licensed games, which is payable in installments.

- *Obligations of third-party game developers*. The third-party game developers are responsible for developing and updating the relevant games according to our requirements and the agreed standards. They are required to provide us with requisite materials and tools for game development, localization and service, as well the application materials for any approvals from local governments in the specified regions. They also are required to provide 24/7 technical support services, including server installation, staff training and promptly fixing system failures and bugs. For the games' closed testing, open testing and other major events, the third-party game developers undertake to assign dedicated project managers to address our inquiries.

- *Our rights and obligations*. We are responsible for establishing server infrastructure and official websites for the games and hosting and maintaining the game servers. We are also responsible for the marketing, promotion and operation of the game, which primarily include establishing distribution, marketing and payment channels, and we are entitled to independently formulate game operation and marketing strategies in line with the agreements. Aside from exercising best efforts in running closed testing, open testing and commercialized operation, we undertake to communicate to the third-party game developers with respect to the bugs that we become aware of and have them fixed promptly.

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- *IP rights*. We require the third-party game developers to maintain all requisite IP rights in connection with our licensing arrangements to avoid potential infringement of third-party IP rights. We are authorized to register trademarks or other forms of IP rights in the specified regions to facilitate the marketing of the games, and we agree to transfer the ownership of the pertinent IP rights to the third-party game developers upon the termination of the agreements.

- *Termination*. Either party may terminate the agreement in the event of a material breach of contract by the other party. The agreement can also be terminated by us if the third-party developer fails to continue developing the game or providing technical support, honor IP-related representations, warranties or covenants, or deliver game product and content on time, resulting in our inability to timely operate the game.

In 2018, 2019, 2020 and the six months ended June 30, 2021, we paid commissions charged by game developers of RMB5.2 million, RMB2.9 million, RMB2.4 million and RMB3.3 million, respectively.

Game Publishing and Operation

We publish our in-house developed games and licensed games primarily by ourselves on our official website and through third-party distribution platforms. To a lesser extent, we have also engaged other third-party publishers to publish and distribute our games. The following table sets forth a breakdown of our revenues by publishing model in absolute amounts and as percentages of our total revenues for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		**2019**		**2020**		**2020**		**2021**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Revenues										
Self-published games	50,591	51.4	53,372	60.1	1,093,448	89.1	66,137	74.7	729,633	95.6
Third-party published games	47,822	48.6	33,582	37.9	58,576	4.8	14,198	16.0	18,930	2.5
Total	**98,413**	**100.0**	**86,954**	**98.0**	**1,152,024**	**93.9**	**80,335**	**90.7**	**748,563**	**98.1**

The decreases in the percentage of our revenues generated from third-party published games of our total revenues during the Track Record Period was primarily driven by our enhanced self-publishing capabilities, as a result of our accumulated experience in operating our proprietary distribution channels, the expansion of our in-house game distribution team, and the increased size and engagement of our player community.

Self-publishing and Operation

We have published and operated a substantial majority of our games by ourselves, particularly beginning from 2020. In addition to our in-house developed games, we also publish in-licensed games.

As of June 30, 2021, we had a dedicated game publishing and operation team of 115 employees. This team is involved in the publishing and operation of our games, as described below:

- *Design and development*: Our game publishing and operation team shares market insight, player feedback and optimization suggestions with our game development team. The team is involved in the game production process and therefore is able to formulate the publishing strategies relatively early at the game development stage. After the game is substantially developed, we apply for game registration with the relevant authorities. It typically takes six to nine months to complete the game registration.

- *Official launch:* We tailor our publishing approach for each game based on its characteristics, players' interest and distribution channels' features. Before we officially launch a game, we conduct extensive

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testing with external players to identify the game's target audience and customize our marketing campaigns. Before launching a game for open testing, we advertise on mainstream media applications and on social media platforms to establish a player community and increase the game's visibility. After the game is ready for official launch, our publishing and operation teams cooperate closely to distribute the game through a variety of distribution, marketing and payment channels to launch the game, attract players and facilitate in-game purchases.

- *Operation*: Following the official launch of a game, our game publishing and operation team continuously reviews and updates the game to detect and fix technical issues, monitor and analyze the game's performance and players' feedback, gameplay habits and spending patterns using our data analytics tools. This information helps us efficiently develop optimized versions of the game with new settings, gameplay, content and features on an ongoing basis. Our game publishing and operation team also further optimize the game's operation strategies to enhance player engagement, loyalty and monetization. We update our games to provide our players with fresh and engaging experiences to retain our existing players and extend ours games' lifecycles.

- *Localization for overseas markets*: For each game that we publish on global distribution channels, our overseas publishing and operation team will create different language versions of the game tailor-made for the target markets. Our localization activities include developing local language scripts for the game programs, customizing the dialog between the characters with local languages, introducing local artistic designs, user interfaces and popular cultural elements.

Third-party Publishing

We occasionally publish our self-developed games in cooperation with third-party publishers, if we consider these publishers' resources, localization capabilities and user base would enable them to publish the games more cost-effectively than us or that their strengths will complement our strategy. We select prospective third-party publishers considering primarily their scale of operation and track records in regional markets, financial resources, market reputation and influence, creditworthiness, technological and management capabilities. We have built extensive connections with third-party publishing partners in mainland China and the overseas markets, including Hong Kong, Macau, Taiwan, Japan and South Korea.

We license our self-developed games to these third-party publishers and typically receive from them revenue share payments and, in some cases, fixed license fees. Set forth below is a summary of our licensing agreements with third-party publishers:

- *Exclusivity*. The third-party publishers have exclusive rights to publish and distribute our games in the relevant markets as designated in the service agreements.

- *Term of agreement*. The term of agreements is usually three years and can be extended upon mutual assent.

- *Fee arrangement and settlement*. Our income as the game developer typically consists of (i) one-off license fees and advance payment of the subsequent share of revenue and (ii) subsequent monthly share of revenue (to which the advance payment is credited). In some circumstances, we may also be entitled to conditional incentive fees.

  - *License fees*. In some circumstances, third-party game publishers of certain of our games pay us a lump sum license fee, which is payable in two or three installments. The specific installment payment schedule varies from agreement to agreement. The first installment is generally payable shortly after the signing of the agreement. The second/third installments are generally payable after completion of paid commercial testing of the game by the third-party publisher or after the launch of the game on the distribution platform(s).

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- *Subsequent monthly share of revenue*. In addition to the one-off license fees and advance payments, we, as the game developer, are also entitled to the subsequent monthly share of revenue of the games, which is a predetermined percentage (typically ranging from 22% to 40%) of the gross billings of the games (which are net of commissions to payment and distribution channels, marketing and promotion expenses and other expenses, as the case may be). The subsequent monthly share of revenue of the games (after the gross billings became large enough to offset the costs and expenses) received by us ranged from approximately RMB1.7 million to approximately RMB14.9 million during the Track Record Period. Third-party publishers typically determine the price of the virtual items in the games they published by referring to the price of the virtual items in the games we publish.

- *Incentive fees*. For one of our licensed games, if the game's monthly gross billings exceed a certain amount, we will be entitled to a discretionary incentive fee at 3% of the gross billings of the game.

- *Principal rights and obligations of parties involved.*

  - We are responsible for licensing quality games to third-party publishers, updating the game version timely, and providing relevant technical support. We are prohibited to amend, increase or remove any functions in the games without prior notice to third-party publishers.

  - Third-party publishers are responsible for providing hardware and software in support of the successful game publishing and operation. They are not allowed to (i) amend, change or replace any programming in the games, and (ii) develop any games that have substantial similarity with our licensed games.

- *IP rights*. We retain titles to all intellectual property of our in-house developed games. Local publishers can reasonably use, interpret, adapt, or localize our games to facilitate the marketing, distribution and promotion of the games in their respective markets after notifying us.

- *Termination*. Either party may terminate the agreement in the event of a material breach of contract by the other party. Generally, the service agreements can be terminated if the games have material defects that are not promptly addressed. The agreements can also be terminated if either party is unable to obtain approval from government agencies.

Game Distribution

Self-operated Distribution Channels

We have used our proprietary distribution channels to distribute all of our in-house developed and licensed games that we publish by ourselves in China. Our games published by third parties are not distributed through our self-operated distribution channels. These channels include our official website as well as other third-party websites and online advertisements, which are linked to our official website. Players can log on to our official website through these channels to download our games, for example, by scanning QR codes. We also provide Android mobile users with links to our official website where they can download and install the games, in which case we do not need to pay distribution channel fees. Our self-operated distribution channels are supported by our large, loyal and active player community as well as our ability to utilize social media platforms to place advertisements, which help us distribute our games in a cost-effective manner.

Third-party Distribution Channels

We also publish our games through third-party distribution channels. As the iOS App Store is the only official platform for iOS device users and Google Play is the major platform for overseas Android device users to download mobile applications, we use these platforms as the application marketplaces to launch our mobile game

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applications. In addition, we have established close partnerships with popular vertical distribution channels in mainland China, such as TapTap and Bilibili. TapTap charges minimal marketing fees and no commission and tends to attract mobile game enthusiasts. Bilibili helps us reach more potential players, particularly the young generation, who, due to the ACG and meme-heavy nature of the platform, are predisposed towards enjoying our joke-laden idle and rogue-like RPGs. We also distribute our games through a number of other distribution channels in mainland China, such as Huawei AppGallery, OPPO App Market, VIVO App Store, and Xiaomi App Store.

We have entered into non-exclusive distribution agreements with third-party distribution channels. Under these agreements, we are responsible for the operation of our self-published games, including the games' updates and optimization, pricing of virtual items, promotion campaigns, technical support and other customer service. The distribution platforms act as agents to deliver and marketing our games to the players on their platforms. The distribution agreements typically have the following salient terms:

- *Non-exclusivity*. Our cooperation with the distribution platforms are on non-exclusive basis.

- *Term*. The term of the agreements is typically two years.

- *Principal Rights and Obligations of Parties Involved*. We are required to deliver the games as specified in the agreement and render operation and maintenance services and game player services. Third-party distribution channels are required to promote and advertise the games on their respective platforms.

- *Payment channel*. For games published on third-party distribution platforms, players can only make payment through the payment channels prescribed and built in by these distribution platforms. The payment channels include primarily proprietary payment channels operated by these distribution platforms, major third-party online payment channels, online banking and for some of the platforms, mobile carriers.

- *Revenue sharing and platform service fees*. The distribution platforms typically charge us a total fee which may include (i) the applicable payment channel and other service fees (calculated based on multiple factors, including the total downloads of the games and in-game purchases) and (ii) the revenue sharing by these platforms. Third-party distribution platforms typically charge up to 50% of the gross billings of our self-published games as commissions. The third-party distribution platforms may monitor the pricing of our virtual items.

- *Termination*. Either party may terminate the agreement in the event of a material breach of contract by the other party. Occasionally, third-party distribution channels may terminate the agreement when fundamental breach by either party occurs and persists for a specified period of time.

MONETIZATION AND PRICING

We offer our games primarily in a free-to-play model, allowing game players to download and play games without up-front cost. As a result, we primarily generate revenue from players' purchases and consumption of in-game virtual items, which include tools, equipment and features. Through virtual items, users are able to extend their play, enhance or personalize their game environment, character or settings, enhance their in-game battle capabilities, or accelerate their progress in the games. Game players may exchange real currency into virtual currency and then use the virtual currency to purchase the virtual items. Our monetization ability depends on whether we are able to attract new players, convert existing players into paying players and encourage in-game purchases by paying players. Players typically prepay for a specified period of entitlement to our games' virtual items, which helps to enhance our players' paying ratio and retention rate.

We determine the types, pricing and timing of our in-game virtual items to be offered based on an analysis of data we accumulated on the game players' spending patterns and preferences, estimated level of disposable income of targeted players, consumption habits in local markets, the anticipated demand for the relevant virtual

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items, and the prices of virtual items offered in other comparable games. The prices and exchange rates of our virtual items are not subject to seasonality and are generally fixed across regions. We closely track and monitor the statistics of purchased virtual items in a game through SDKs and data collection systems to understand the consumption patterns of our game players and utilize such analysis as guidance to offer additional amounts and types of in-game virtual items and price other games of a similar type. In addition, we provide players with offers of virtual item packs within the gameplay at a discount to standalone items to encourage their in-game purchases, some of which are time-limited.

We also monetize our games by charging license fees, advance payments and monthly share of revenue from our third-party publishers. The license fees and advance payments are generally payable by third-party publishers in two or three installments. The subsequent monthly share of revenue of the games is predetermined percentage of the gross billings. For example, we have engaged the G-bits Group to distribute and operate *Gumballs & Dungeons (不思議迷宮)* in mainland China. While we decide the details of the in-game virtual item packs, such as the prices, types and amounts of the in-game virtual items, third-party publishers provide suggestions on the timing to distribute these packs. In addition, we generate information service revenue by providing in-game marketing and promotion services to our customers.

Furthermore, to promote player loyalty with our games and brands, extend the lifecycle of our IPs and further diversify our revenue source, we also design and sell or gift game peripheral merchandise, such as emojis, T-shirts, dolls, notebooks and blind boxes. All of these peripheral products focus on creative content and seek to stand out from similar products already widely available on the market.

PAYMENT CHANNELS

Game players can purchase our virtual currencies and other virtual items through mainstream mobile payment solutions. In mainland China, our players make in-game purchase through third-party online payment channels, such as Alipay, WeChat Pay and Apple Pay. In the overseas markets, our players can make payments through the payment channels offered by Apple Pay, Google Pay and other online payment channels. We are generally subject to the standard terms and conditions prescribed by these payment channels.

TECHNOLOGY AND INFRASTRUCTURE

Game Engines

We have used third-party game engines with the latest technology to power our games. During the Track Record Period and up to the Latest Practicable Date, we used Cocos2dx and Unity3D and developed them with our tailored designs to power our games including *The Marvelous Snail (最強蝸牛)* and *Gumballs & Dungeons (不思議迷宮)*.

Server Networks and Cloud Platforms

We have used cloud computing based on Alibaba Cloud and AWS Cloud servers for our game operations. We have established our proprietary cloud-based server architecture for games we published. Our core technology indicators, including parallel processing capability, response time and stable systems, enable us to deliver games to millions of players simultaneously while maintaining the game's performance. We did not encounter any major server disruption during the Track Record Period. In addition, to avoid cheating practices of players, such as using unauthorized plug-in software to exploit vulnerabilities in our games or obtain unfair advantages over other players, we mandate that gameplay actions taken by players be processed by our servers, to prevent plug-in cheating software from tampering with the rules of our games. In addition, we conduct anti-cheating testing prior to the launch of our games and have installed anti-cheating software for our games in operation.

Data Analytics

During the process of game operations, we record, process and analyze large volumes of data including player engagement and demographics on various dimensions. We use a third-party data analytics platform with

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large data processing and analysis capacity to process and visualize these data. Through these data analytics tools, we gain valuable insights into game player behavior to improve our games and our game player experience, enhance our monetization strategies in relation to in-game purchases, and extend our games' lifecycle.

SDKs

We have developed our own SDKs supporting both iOS and Android. Our SDKs provide our games with a one-stop solution for account-related and payment management, information services, content sharing and integration of third-party SDKs. Embedded with our SDKs, our games are equipped with various functions including player account registration, account log-in, linking between mobile numbers and game accounts, and retrieval of account passwords, and allow our players to choose their preferred payment methods. In addition, our SDKs can collect and analyze real-time game and player behavior data and are integrated with our data analytics system. Moreover, our SDKs have built-in reporting systems to monitor and control various risks, including player violation of our policies.

Our Support and Maintenance Team

As of the Latest Practicable Date, we had a support and maintenance team of nine employees dedicated to providing technical support and maintenance. The team uses game operation and maintenance monitoring systems to monitor and manage our server infrastructure and game operations in real time, and it upgrades the systems from time to time. These systems alert the team by sending text messages, WeChat and emails if they detect any glitches or malfunctioning, so that the team can quickly locate and resolve the problems. The team uses highly automated systems to manage the operation of our servers and are capable of conducting maintenance and update of our games automatically. The team supports our staff as well as third-party publishers, and provides services such as game architecture improvements, data optimization, game monitoring and other technical support. During the development stage of our games, our support and maintenance team advises the game project teams on data optimization, data disaster recovery, server cluster and other matters related to game architecture improvements.

MARKETING AND PROMOTION

We market our games through advertising and promotion of our brand and games in various channels as well as traffic acquisition, based on factors such as player retention and spending results at the testing stage, features and targeted players of the games, and our assessment of market receptiveness of our games. We also publish notices of our games on our official website and various third-party platforms, including our player community, to attract players. See "—Player Community" for more details. We design and implement marketing and promotional programs catering to the demographics and characteristics of our target players. As of October 31, 2021, we had 10.4 million QingCi Enthusiasts who were connected with us on our official accounts and groups on social media platforms. Due in part to this large, loyal player base, we were able to acquire our user traffic cost-effectively through our own distribution channels.

Traffic Acquisition for Our Games

We advertise our new games on multiple social media and other online platforms, such as Douyin, TouTiao and Baidu. Where we use third-party advertising platforms, we generally provide the advertisement graphics and videos to the third-party platforms. Subject to the advertisement content meeting their requirements, the third-party platforms would post our advertisements at our targeted geographies. The advertisements typically contain links to our games for the players to download and play. These third-party advertising platforms generally charge service fees with reference to the number of posts of advertisements or the number of users actions, such as cost-per-thousand-impression, cost-per-click, cost-per-time, cost-per-registered user or cost-per-paying user basis. Our advertisement efficiency is assessed through business intelligent big data technology to ensure content quality and commercial effectiveness on the different social media platforms. We also engage local advertisement agencies to assist on the marketing and advertising of our games in local markets. We refrain from performing targeted advertising or other traffic acquisition campaigns towards minors.

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Brand Marketing and Promotion

We use various marketing and promotion methods to further penetrate the everyday life of our potential game player base and achieve maximum exposure for our games and "QingCi" brand.

We had rolled out a series of pan-entertainment and content peripheral products around these games. In addition, we have integrated virtual cultural relics and other props into our games, such as *The Marvelous Snail (最強蝸牛)*, to promote traditional Chinese culture. We have also produced excellent animations and videos based on our games to further increase their market exposure and acceptance. As of the Latest Practicable Date, our animation series of *The Marvelous Snail—Uninvited Guest (最強蝸牛不速之客)* had obtained over 9.4 million views on Bilibili. Our promotion campaigns are typically tailored to align with the relevant games' themes to attract our target audience. For example, in 2020, to promote *The Marvelous Snail (最強蝸牛)*, we cooperated with a key actor of *Surprise*, a comedy web series in China, to produce a special advertising *Surprise (萬萬沒想到)* video.

Moreover, we have engaged celebrities to be our game ambassadors. We typically select celebrities with an established fan base which is likely to be converted into our game players, which often become the center of online publicity and help us to promote the games and draw in new game players. We also engaged a popular Chinese folk singer to reinterpret a nursery rhyme named *the Snail and the Oriole (蝸牛與黃鸝鳥)*, which attracted wide media coverage. We further cooperated with two film stars, our game ambassadors, to advertise *The Marvelous Snail (最強蝸牛)* in their film *Detective Chinatown III (唐人街探案3)*, one of the biggest blockbusters during the 2021 Chinese New Year holiday season.

We place offline advertisements to promote our games in public areas such as bus stations, airports, public buildings and high-speed trains. We have also utilized offline marketing methods, including figures and apparels, and we are exploring additional offline channels including bricks-and-mortar stores. In addition, we have also cooperated with some featured local museums to promote our games and engage our players. In return, our games also introduce the museums and promote traditional Chinese culture, which resonates with the core values of our games.

In 2018, 2019, 2020 and the six months ended June 30, 2021, we incurred selling and marketing expenses of RMB13.9 million, RMB16.8 million, RMB559.2 million and RMB245.1 million, respectively, accounting for 14.1%, 18.9%, 45.6% and 32.1% of our total revenues for these respective periods.

CUSTOMER SERVICE

We provide continued customer service to our players. Our player service representatives provide 24/7 online customer service in multiple languages. They are dedicated to responding to players' queries and complaints according to our standard procedures, fixing technical issues and advising on other game-related questions on gameplay and account maintenance, among others. The players can contact our player service representatives via multiple channels, including live chat, emails, telephone calls and in-game inquiry systems. We require our player service representatives to respond to our players within matters of minutes and endeavor to have a customer satisfaction rate of over 90%. As of the Latest Practicable Date, our customer satisfactory had been over 95% and we had not received any material complaints from our users that resulted in a material adverse effect on our business. We have outsourced certain of our customer services to third-party service providers, while we have a customer service team to monitor the quality of services provided by these third parties. We mainly communicate with our overseas players via email, Facebook and Discord in Chinese (simplified and traditional) and English. We generally do not allow players to return or exchange virtual items in our games and we do not refund the real currency, except that we permit refunds when players prove that they are minors and paid real currency without their guardians' permission, the amount of which was insubstantial in the Track Record Period.

OUR CUSTOMERS

For our self-published games, we consider the players that have purchased in-game virtual items as our customers. For our games published through third-party publishers, we consider these publishers as our

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customers, and we provide game development and licensing services to them. In 2018, 2019, 2020 and the six months ended June 30, 2021, revenue from our five largest customers amounted to RMB48.0 million, RMB35.3 million, RMB133.8 million and RMB34.0 million, respectively, accounting for 48.8%, 39.8%, 11.0% and 4.5% of our total revenues in the same respective periods. The decrease in the proportion of revenue contribution from our five largest customers during the Track Record Period was mainly attributable to the increase in our game operating revenues (namely, revenues from games published by ourselves) as a percentage of our total revenues. The aggregate revenue generated from our five largest individual customers accounted for 0.5%, 0.4%, 0.3% and 0.5% of our total revenues in 2018, 2019 and 2020 and the six months ended June 30, 2021, respectively. We provided game services to these customers (namely, game players) during the Track Record Period.

The following tables set forth certain information of our five largest customers for the periods indicated.

Six Months ended June 30, 2021

Customer	Revenue (RMB in thousands)	Contribution to our total revenue (%)	Principal Business	Services Rendered by Us	Year of commencing business relationship
G-bits Group	18,762	2.5	Game publishing and operation	Game development and licensing	2012
Company A	8,883	1.2	Software design and development	Information service	2019
Company B	4,717	0.6	Software design and development	Information service	2017
Player D	856	0.1	N/A	Game service	2020
Player A	793	0.1	N/A	Game service	2012
Total	**34,011**	**4.5**			

Year ended December 31, 2020

Customer	Revenue (RMB in thousands)	Contribution to our total revenues (%)	Principal Business	Services Rendered by Us	Year of commencing business relationship
Company A	67,634	5.5	Software design and development	Information service	2019
G-bits Group	57,196	4.7	Game publishing and operation	Game development and licensing	2012
Company B	6,981	0.6	Software design and development	Information service	2017
Player A	1,195	0.1	N/A	Game service	2012
Company C	786	0.1	Game publishing and operation	Game development and licensing	2017
Total	**133,792**	**11.0**			

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Year ended December 31, 2019

Customer	Revenue (RMB in thousands)	Contribution to our total revenues (%)	Principal Business	Services Rendered by Us	Year of commencing business relationship
G-bits Group	31,591	35.6	Game publishing and operation	Game development and licensing	2012
Company C	1,368	1.5	Game publishing and operation	Game development and licensing	2017
Company A	1,239	1.4	Software design and development	Information service	2019
Company D	623	0.7	Game publishing and operation	Game development and licensing	2017
Company E	511	0.6	Software design and development	Information service	2018
Total	**35,332**	**39.8**			

Year ended December 31, 2018

Customer	Revenue (RMB in thousands)	Contribution to our total revenues (%)	Principal Business	Services Rendered by Us	Year of commencing business relationship
G-bits Group	44,135	44.8	Game publishing and operation	Game development and licensing	2012
Company F	1,446	1.5	Game publishing and operation	Game development and licensing	2017
Company C	1,340	1.4	Game publishing and operation	Game development and licensing	2017
Company D	878	0.9	Game publishing and operation	Game development and licensing	2017
Player C	184	0.2	N/A	Game service	2018
Total	**47,983**	**48.8**			

Certain subsidiaries of G-bits, a substantial shareholder of our Company, have published our games. We refer to G-bits and its subsidiaries as the G-bits Group. Except for these companies, all of our five largest customers during the Track Record Period were Independent Third Parties, and none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company has any interest in any of the abovementioned customers. We deal with all of our customers at arm's length. We negotiate game publishing agreements with the G-bits Group based solely on commercial considerations, and the transaction terms with them are comparable to those with Independent Third-Party customers.

OUR SUPPLIERS

Our suppliers primarily include third-party distribution platforms, payment channels, game developers from whom we license in games, other related game service providers, as well as third-party advertising and marketing service providers and server providers. In 2018, 2019, 2020 and the six months ended June 30, 2021, purchases from our five largest suppliers amounted to RMB20.6 million, RMB17.1 million, RMB535.1 million and RMB246.8 million, respectively, accounting for 43.3%, 50.2%, 61.8% and 55.6% of our total purchases in these respective same periods. For risks relating to our major suppliers, see "Risk Factors—Risks Related to Our

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Business and Industry—Any restriction on access to the Internet or major distribution channels, such as iOS App Store and Google Play, or failure to maintain relationships with the distribution channels, could lead to a loss or slow the growth of our game players" for details.

The following table sets forth certain information of our five largest suppliers for the periods indicated.

Six Months ended June 30, 2021

Supplier	Purchase Amount (RMB in thousands)	Percentage of total purchases (%)	Principal Business	Services Rendered to Us	Year of commencing business relationship
Company G	86,166	19.4	Provision of mobile communication and media devices, and personal computers	Game distribution	2014
Company H	56,373	12.7	Provision of online advertising services	Online advertising	2020
Company I	55,210	12.4	Provision of online advertising services	Online advertising	2020
Shenzhen Jishiwu Technology Co., Ltd.	32,493	7.3	Online games development	Game development	2018
Company J	16,563	3.7	Provision of mobile communication and media devices, and personal computers	Game distribution	2015
Total	**246,805**	**55.5**			

Year ended December 31, 2020

Supplier	Purchase Amount (RMB in thousands)	Percentage of total purchases (%)	Principal Business	Services Rendered to Us	Year of commencing business relationship
Company G	173,194	20.0	Provision of mobile communication and media devices, and personal computers	Game distribution	2014
Company K	117,786	13.6	Provision of online advertising services	Online advertising	2020
Company L	95,339	11.0	Provision of online advertising services	Online advertising	2020
Guangzhou Jodo Information and Technology Co., Ltd.	79,388	9.2	Provision of online advertising services	Online advertising	2020
G-bits Group	69,413[(1)]	8.0	Games publishing and operation	Property leasing, administrative, and marketing and promotion services	2012
Total	**535,120**	**61.8**			

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Year ended December 31, 2019

Supplier	Purchase Amount (RMB in thousands)	Percentage of total purchases (%)	Principal Business	Services Rendered to Us	Year of commencing business relationship
Company G	5,285	15.5	Provision of mobile communication and media devices, and personal computers	Game distribution	2014
Company M	3,797	11.2	Provision of online advertising services	Game distribution	2017
Company N	3,113	9.2	Provision of online advertising services	Online advertising	2019
Shenzhen Hot Zone Network Technology Co., Ltd.	2,694	7.9	Online games development	Game development	2017
G-bits Group	2,161[2]	6.4	Game publishing and operation	Property leasing and administrative services	2012
Total	**17,050**	**50.2**			

Year ended December 31, 2018

Supplier	Purchase Amount (RMB in thousands)	Percentage of total purchases (%)	Principal Business	Services Rendered to Us	Year of commencing business relationship
Company M	4,968	10.4	Provision of online advertising services	Game distribution	2017
Shenzhen Hot Zone Network Technology Co., Ltd.	4,697	9.9	Online games development	Game development	2017
Company O	4,497	9.4	Provision of online advertising services	Online advertising	2016
Company G	4,175	8.8	Provision of mobile communication and media devices, and personal computers	Game distribution	2014
Company P	2,272	4.8	Provision of online advertising services	Online advertising	2016
Total	**20,609**	**43.3**			

Notes:

(1) The total purchased amount paid to G-bits Group comprise of approximately (i) RMB2,570 thousand for property leasing and administrative services; and (ii) RMB66,843 thousand for marketing and promotion services. For details, see section headed "Connected Transactions" of this document.

(2) The total purchased amount paid to G-bits Group comprise of approximately RMB2,161 thousand for property leasing and administrative services. For details, see section headed "Connected Transactions" of this document.

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Shenzhen Hot Zone Network Technology Co., Ltd., Guangzhou Jodo Information and Technology Co., Ltd. and Shenzhen Jishiwu Technology Co., Ltd., are our associate companies in which we have minority equity interests, and they provided game development, online advertising services and game development, respectively, to us. The G-bits Group provided property leasing, administrative, marketing and promotion services, and game development services to us during the Track Record Period. Given (i) our success in launching licensed games *Ares Virus (阿瑞斯病毒)* and *Lantern and Dungeon (提燈與地下城)* during the Track Record Period and (ii) the commercial potential of a game developed by the G-bits Group, we licensed the game Project B from the G-bits Group in April 2021. For further details regarding our relationship and cooperation with the G-bits Group, please refer to the section headed "Connected Transactions" and the sub-section headed "History, Reorganization and Corporate Structure—Our Relationship with G-bits" in this document. Except for these companies, all of the our five largest suppliers during the Track Record Period were Independent Third Parties, and none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company has any interest in any of the abovementioned suppliers.

We deal with all of our suppliers at arm's length. The transaction terms with the G-bits Group and other suppliers mentioned above who are our associate companies are comparable to those with Independent Third Party suppliers. In April 2021, we licensed the game Project B from the G-bits Group with a license term from April 16, 2021 to December 31, 2023 subject to automatic renewal of up to three years. Project B is a casual game developed in-house by the G-bits Group. See "—Our Business Model—Our Game Pipeline" for more details of Project B. Our licensing agreement with the G-bits Group has substantially the same terms as those of our typical licensing agreements with game developers described in "—Our Business Processes—Game Developing—Game Licensing," including the responsibilities of the game developers (such as the G-bits Group) and us as the game publisher. See also "Financial Information—Related Party Transactions—Game Publishing Service" for more information on our licensing arrangements with related parties, including the G-bits Group. We paid a license fee of RMB2.4 million to the G-bits Group in June 2021 and expect to pay a license fee of approximately RMB3.1 million to the G-bits Group in the second half of 2021. The license fee arrangement was determined between the G-bits Group and us after taking into consideration, among other factors, quality and expected performance of Project B, and reasonable fees generally charged by game developers to game publishers in the industry. According to Frost & Sullivan, the fee structure adopted under our licensing agreement with the G-bits Group is comparable to that charged by Independent Third Party game developers.

During the Track Record Period, the G-bits Group was our supplier and customer and it contributed 6.4% and 8.0% of our total purchases in 2019 and 2020, respectively, and 44.8%, 35.6%, 4.7% and 2.5% of our total revenues in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. Certain of G-bits' subsidiaries have the capability of publishing games in China, providing advertisement service and leasing out office space, and our Directors believe it is industry norm for us to have the G-bits Group both as our supplier and customer.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business. We own the intellectual property for the games we developed in-house, and the third-party developers of our licensed games hold the intellectual property for those games. As of the Latest Practicable Date, we had 15 registered work copyrights, 76 registered software copyrights and 65 registered trademarks in mainland China. We also have three registered trademarks in Taiwan and one registered trademark in Hong Kong. For more details on our intellectual property, see "Appendix IV—Statutory and General Information." We protect our intellectual property through a combination of copyrights, trademarks and domain names, and rely on intellectual property laws and confidentiality and licensing agreements with our employees, suppliers and other business partners. In general, our employees must enter into a standard employment contract together with an intellectual property rights and confidentiality agreement, which includes clauses acknowledging that all intellectual property rights including inventions, trade secrets, and other R&D results generated by them on our behalf of us are our property, and assigning to us all ownership rights that they may claim in those works.

We have taken internal control measures to prevent leakage of our software code. For example, our IT system prevents code files from being sent out through chat tools, clouds or emails. In addition, we have disabled

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the USB function for our game development team's computers unless otherwise approved by our relevant management members. Despite our precautions, however, third parties may obtain and use intellectual property that we own or have licensed in without our consent. Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights from such unauthorized use, may adversely affect our business and results of operations. In addition, we cannot guarantee that the games that we license in, our redesign of these games or our services do not or will not infringe valid patents, copyrights or other intellectual properties held by third parties. See "Risk Factors—Risks Related to Our Business and Industry—We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position" and "Risk Factors—Risks Related to Our Business and Industry— We may be subject to claims by third parties for intellectual property rights infringements, which could cause us to incur significant legal expenses and prevent us from promoting our products and services" for more information on IP infringement related risks.

We did not have any material disputes or other pending legal proceedings regarding intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

We compete primarily with other mobile game developers and publishers in mainland China and our major overseas markets. The mobile game industry is highly competitive, with frequent introduction of new games, rapidly developing technologies, evolving methods of marketing and traffic acquisition and distribution channels, and constantly changing player preferences. We compete primarily on the basis of our player base, ability to develop and source popular games to enrich our game portfolio, ability to ensure gameplay experience quality, ability to cultivate players' loyalty and promote brand awareness and reputation, ability to enhance monetization of our games, ability to extend the lifecycle of our games and relationships with distribution channels and marketing and promotion platforms. However, some of our existing and potential mobile game competitors have greater financial, technological and marketing resources, larger user bases, stronger relationships with industry participants and a larger and more diverse portfolio of mobile games and resources than we do. Our mobile game competitors could also publish more popular games to compete with our offerings and adversely affect our ability to attract and retain players and their leisure time. For more information on our competitive landscape, please see "Risk Factors—Risks Related to our Business and Industry—The markets in which we operate are highly competitive. If we are unable to compete effectively against our competitors, our game player base, market share and profitability may be materially and adversely affected."

EMPLOYEES

As of June 30, 2021, we had 298 full-time employees, substantially all of whom were based in China and four of whom were based in Japan. The following table sets forth a breakdown of our employees by business function as of June 30, 2021.

	As of June 30, 2021	
Function	Number	% of total
Game development	150	50.3%
Publishing and operation	115	38.6%
General and administration	33	11.1%
Total	298	100.0%

We compensate our employees with salaries, welfare payments, and performance-based and annual 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. Historically, we failed to pay social security contribution in full for our employees. See "Risk Factors—Risks Related to Our Business and Industry—Certain of our

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subsidiaries have not made all necessary contributions to the social insurance and housing provident fund, which could subject us to penalties, including fines and court enforcement" for more information. Our non-compliance was caused by the inadvertent and unintentional oversight and misinterpretation of PRC laws and regulations by our human resources department. Moreover, pursuant to relevant PRC laws and regulations, both employers and employees are required to pay part of the social insurance and housing provident funds contributions, and social insurance and housing provident funds payable by employees must be deducted by their employers from their wages. Therefore, some of our employees were willing to have their social insurance and housing provident fund paid with such shortfall to reduce their portion of contributions to the social insurance and housing provident funds.

As advised by our PRC Legal Advisor, if the competent PRC government authority determines that the social insurance contributions we made for our employees violate the requirements under the relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions were due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay the full amount of housing provident fund, the housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We have obtained written confirmation from the local social insurance and housing provident fund authority in Xiamen, Fujian Province, confirming that no administrative penalty was imposed on us during the Track Record Period. Our PRC Legal Advisor is of the view that the relevant written confirmation was issued by the competent authority and that the above-described situation would not have any material adverse effect on our business operations. We made provisions of RMB2.9 million, RMB2.9 million, RMB2.6 million and RMB1.4 million for 2018, 2019 and 2020 and the six months ended June 30, 2021, respectively.

Our Directors believe that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) we have obtained written confirmations issued by the relevant local social insurance and housing provident funds authorities that no administrative penalty was imposed on us during the Track Record Period; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC regulatory authorities requiring us to pay material shortfalls with respect to social insurance and housing provident funds; (iii) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iv) we undertake to make full contributions or to pay the shortfall within a prescribed time period if and when requested by the competent government authorities; (v) we have made adequate contributions to the social insurance for all of our employees since July 2021. In addition, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears.

Based on the foregoing, our PRC Legal Advisor is of the view that the risk that we are subject to administrative penalties for the social insurance and housing provident fund non-compliance is low.

We recruit talent primarily from job fairs as well as word-of-mouth referrals. We provide regular training to our employees covering various aspects including our culture and technical know-how. We also follow up with the employees to evaluate the effect of the training, which is aimed at enhancing our employees' skillset and helping them stay up to date with industry and technology developments. In addition, we discover and incubate future game producers who display strong innovation and game design talent. We encourage and support our employees keen on mobile game development to become our producers. They may form new core project teams with other like-minded employees to develop new games.

During the Track Record Period, we did not engage any dispatched labor agency to obtain services in relation to our business operations domestically or overseas, and we did not have any strikes, protests or other

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material labor conflicts that may materially affect our business and reputation. As of the Latest Practicable Date, we had not established any labor union.

HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Environmental, Social and Governance

We [have in place] an environmental, social and governance ("**ESG**") policy which sets out key ESG-related objectives and responsibilities. Pursuant to the ESG policy, our Board is required to review our core principles in terms of ESG matters on an annual basis, including maintaining ESG as a key priority for our employees; contributing to the community and public welfare through participation in activities concerning important social issues; fostering a culture of acting in accordance with the ESG policy; and monitoring and reporting key environmental and social risks, mitigation and opportunities for improvement. Under the ESG policy, we will establish an ESG Oversight Committee under our Board, and this ESG Oversight Committee will have responsibility for the identification, evaluation, prioritization and management of material ESG-related matters. As set forth in our ESG policy, our ESG Oversight Committee will comprise our chief executive officer, chief operating officer, head of legal, head of human resources, head of administrative management and other core management representatives as may be appropriate from time to time. See "Directors and Senior Management—Senior Management" for more information relevant to our senior management's qualifications and experience. The ESG Oversight Committee will meet no less than annually to identify, evaluate and manage progress of annual key objectives agreed by our Board. Where the ESG Oversight Committee considers it necessary, it may engage a third party consultant to support us in fulfilling our ESG objectives. If we engage such third party, the ESG Oversight Committee will have responsibility for managing such third party. We will incorporate ESG-related matters into various training programs for our employees. The ESG Oversight Committee will also have primary responsibility for preparing our ESG report. The ESG Oversight Committee will report to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving the publication of our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

As a game developer and publisher, a substantial portion of our business is conducted online only with little to no impact on the environment and natural resources. For the portion of our business that requires offline participation, such as the manufacture and delivery of game peripheral merchandise, we engage third-party manufacturers and logistics service providers to carry out these functions. Therefore, we have encountered no material accidents in our course of business, and we do not believe we are subject to significant environmental, health and workplace safety regulation in any jurisdiction in which we conduct business. We did not incur any material environmental, health, social and workplace safety compliance cost nor become subject to any fines or other penalties due to non-compliance with relevant laws during the Track Record Period. We expect our future annual costs in relation to environmental, health and workplace safety compliance to be immaterial. Given the nature of the mobile game business, we do not believe that there are significant environmental or climate-related risks which impact our business, strategy or financial performance.

Metrics and Targets

Our environmental protection expenses, including garbage disposal, were immaterial during the Track Record Period and are expected to remain at similar levels in the foreseeable future.

We endeavor to proactively conserve energy and water. In 2020, our annual power usage was approximately 716 thousand kWh while our annual water usage was approximately 3,000 tons. We intend to continue to reduce the level of our power and water usage per employee in the future, primarily through raising power and water conservation awareness among our employees and fostering a conservation culture within our Group through a variety of training programs and related events. We expect that this can also indirectly reduce our average greenhouse gases emission per employee.

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Social Responsibility

As one of the important tenets of our business, we aspire to be a socially responsible company that gives back and brings benefit to the community and society. While engaging in charity may incur additional expenses in the short term, we believe these activities instill a sense of pride and responsibility in our employees and help foster positive reputation of our Company in the long term. Guided by this commitment, we have planned and participated in a number of charity activities, both online and offline, covering important social issues in China including natural disasters relief, COVID-19 pandemic donation, poverty alleviation, education and healthcare donation. For example, in July 2021 we donated food supplies to Henan Province, which was affected by severe flooding. In 2020, we donated over RMB1.0 million in cash and medical supplies to regions in Hubei Province affected by COVID-19. We donated educational equipment and daily necessities to schools located in poverty-stricken regions in China. We further helped market and promote agricultural products through livestreaming as our initiative to contribute to the nation-wide poverty alleviation campaign. In addition, we have implemented events in our games from time to time to raise awareness of charity among our players. For instance, in 2021, we introduced to our *The Marvelous Snail* (最強蝸牛) in-game events featuring "Mother Smile Action," an initiative organized by China Women's Development Foundation to treat children with cleft lip and cleft palate from poor families, and "Shine a Light on Neurofibromatosis," an initiative to raise awareness for neurofibromatosis by lighting up landmarks and buildings. We intend to continue to carry out similar initiatives, both online and offline, as part of our commitment to corporate social responsibility and community services.

PROPERTIES

Our corporate headquarters is located at Floor 5, No.4 Wanghai Road, Software Park II, Siming District, Xiamen, China. As of the Latest Practicable Date, we did not own any real properties. As of the Latest Practicable Date, we leased 17 properties in China, with an aggregate gross floor area of approximately 11,148 square meters. Our leased properties in China are primarily used for business and office purposes. The relevant lease agreements have lease expiration dates ranging from December 2021 to October 2026. The lessors of our 14 leased properties have obtained the relevant property ownership certificates. The lessors had not provided the property ownership certificates for two properties with a total gross floor area of approximately 35 square meters (accounting for approximately 0.3% of the aggregate gross floor area of our leased properties) as of the Latest Practicable Date. Our PRC Legal Advisor has advised us that we will not be subject to fines or penalties without obtaining the relevant property ownership certificates, but we may not be able to lease, occupy or use such leased properties if the lease was challenged by a third-party rights holder. Since (i) we are able to relocate to a different site at a relatively low cost if we are required to do so, and (ii) as of the Latest Practicable Date, we were not required by any third-party rights holder to relocate from such leased properties, our PRC Legal Advisor is of the view that not obtaining the relevant property ownership certificates will not materially and adversely affect our business operations.

Our PRC Legal Advisor has advised us that the lack of registration of the lease agreements will not affect the validity of the lease agreements under PRC law, and a maximum penalty of RMB10,000 may be imposed for non-registration of such lease agreements according to the Administrative Measures on Leasing of Commodity Housing (商品房屋租賃管理辦法). As of the Latest Practicable Date, we had completed the registration of the lease agreements for nine of our leased properties and are in the process of preparing application documents for the registration of one leased property (with a gross floor area of approximately 5,282 square meters). We do not expect to be able to complete the registration for seven other leased properties with an aggregate gross floor area of approximately 455 square meters (accounting for approximately 4.08% of the aggregate gross floor area of our leased properties) in the foreseeable future. Given that (i) the failure to register the lease agreements will not affect the validity of the lease agreements, (ii) it is uncertain whether the lessor or the lessee would be subject to fines for any delay in registering lease agreements pursuant to relevant laws and regulations, (iii) we will cooperate with the landlord to complete the rental registration if we are required to do so, and (iv) we are able to relocate to a different site at a relatively low cost if necessary, our PRC Legal Advisor is of the view that the relevant non-registration of the lease agreement will not materially and adversely affect our business operations.

We have enhanced our internal control measures as follows: (i) strengthen legal compliance training to our employees, including engaging external PRC legal counsel to provide training to our employees on the relevant

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laws and regulations; and (ii) regularly keep abreast of the latest developments in PRC laws and regulations in relation to property leasing.

DATA PRIVACY

We consider the protection of the data privacy of our players to be of paramount importance. We believe it is crucial that our players understand how we collect and handle their information and trust that we properly protect their privacy. We have in place the policies, procedures, software and technology infrastructure to collect, use, store, retain and transmit our player data in compliance with applicable data protection laws and regulations of our major markets, such as the Data Security Law of the PRC (中華人民共和國數據安全法), the California Consumer Privacy Act and the European General Data Protection Regulation. See "Regulatory Overview—Regulations Relating to Information Security and Censorship" and "Regulatory Overview—Regulations Relating to Personal and Data Protection" for details. Our company-wide policy on data collection and protection practices primarily include: (i) providing adequate notice to players as to how their data is being collected and used, (ii) encrypting player data stored on our system and setting up cloud and external firewalls for our games, (iii) limiting access of player data to authorized employees, and (iv) making reasonable efforts to prevent loss or leakage of player data.

We collect the following personal information of our players: (i) Equipment information. This includes IP address, equipment identification number and equipment type, which are mainly used for player account security purposes; (ii) Identity information for players in the PRC only. This includes names, age and identification numbers to protect minors in accordance with relevant PRC laws and regulations. See "Regulator Overview—Regulations on Real-name Registration and Anti-addiction" for details. For our self-published games distributed through our self-operated channels in mainland China, we also collect players' mobile phone numbers, which are used as players' account numbers; and (iii) De-identified information on player's behavioral data, including records of playing our games and purchasing in-game virtual items. We require our business partners, such as third-party payment channels, to preserve the confidentiality of data and not to damage, conceal or provide unauthorized access to the data. In addition, we only share the players' behavioral data in our in-licensed games with third-party game developers.

We require players to read our data privacy policies applicable to their respective regions and to complete a consent form before registering an account and playing our games. Our data privacy policies inform players that in providing gaming services, we may collect, store, utilize or share with third parties player information generated in using our gaming services. We encrypt players' personal data stored on cloud servers provided by third-party providers, set up cloud and external firewalls for our games, and conduct security tests on a regular basis.

To ensure information security, our employees are not allowed to access players' personal information without authorization. We have adopted internal policies to ensure that authorization is tailored to employee seniority and department function. Only authorized employees who need to perform their respective work have limited access to certain type of players' personal data on an as-needed basis. We have adopted a data security protocol, which provides for data management responsibilities, data classification, data protection and confidentiality procedures. We have staff dedicated to data management and protection, and we carry out regular internal inspections on our data security work. We take appropriate control measures and techniques to protect data security in line with classifications of the relevant data. Except for open data, we require encryption for all of our data stored in movable storage equipment. In addition, we de-identify all the data before using it for any business purposes.

We have designated personnel to monitor the implementation of our data privacy policies and internal control measures as well as our on-going compliance with relevant PRC laws and regulations. In addition, our in-house legal team provides our Directors, senior management and other employees with training and regulatory updates as well as analysis on the applicability of new laws, regulations, policies and industry standards to our business, to proactively identify any potential risks including those with respect to privacy and data protection. We also continually update our policies and internal control measures for user privacy and data protection based on evolving regulatory requirements and industry standards.

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We have implemented policies to protect minors' data privacy according to applicable laws and regulations. See "Regulatory Overview—Regulations Relating to Personal Privacy and Data Protection" for the details of relevant laws and regulations. We require minors to obtain consent from their parents or other guardians before they provide us with, and allow us to process, their personal information. When minors or their parents or other guardians require us to update or delete these minors' personal information, we will do so in a timely manner in accordance with applicable laws and regulations.

We believe the measures we take with respect to data privacy and protection are consistent with industry practice. Our PRC Legal Advisor is of the opinion that, during the Track Record Period, we had no breaches or violations of applicable data privacy laws and regulations in China that may have a material adverse effect on our business. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data breach incident. For risks related to data privacy protection, see "Risk Factors—Risks Relating to Our Business and Industry—Any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, including privacy concerns relating to unauthorized use of game player information by us or third parties, could damage our reputation, adversely affect our game player base or engagement, or subject us to governmental regulation and other legal obligations."

INSURANCE

In line with general market practice, we do not maintain any property insurance or product liability insurance, which are not mandatory under PRC law as confirmed by our PRC Legal Advisor. We do not maintain key man life insurance, business interruption insurance or insurance policies covering our network infrastructure or information technology systems. As of the Latest Practicable Date, we had maintained a group life insurance for a large majority of our employees in China. During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors—Risk Relating to Our Business and Industry—We have limited insurance coverage, which could expose us to significant costs and business disruption" for more information on our insurance related risks.

LICENSES, PERMITS AND APPROVALS

We are required to maintain and renew the necessary permits, licenses and approvals for our business operations under applicable laws and regulations in China and overseas. According to our PRC Legal Advisor, we have obtained licenses, permits, approvals and certificates that are material for our business operations in the PRC and such licenses, permits, approvals and certificates are valid and subsisting. Our PRC Legal Advisor also advised us that there existed no material legal impediment to renew applicable licenses, permits and approvals as of the Latest Practicable Date, other than the Internet Culture Operation License which the MOCT no longer issues because the MOCT no longer assumes the responsibility for the administration of the online game industry beginning from May 2019. As of the Latest Practicable Date, (i) it was still unclear whether the supervision responsibility of the MOCT in respect of the online game industry will be transferred to another governmental department, and (ii) no new laws, regulations or policies had been promulgated or issued regarding whether and how the Internet Culture Operation Licenses can be renewed, as advised by our PRC Legal Advisor. In addition, we did not receive any request from our business partners during the Track Record Period for us to possess Internet Culture Operation Licenses for purposes of our business collaborations. Our PRC Legal Advisor advised us that, as long as no governmental authority promulgates new supervision requirements requiring us to obtain or renew the Internet Culture Operation Licenses upon expiry, we may continue our business operation as usual after the expiration of our Internet Culture Operation Licenses, which will not be deemed as non-compliance or subject us to penalties. Our PRC Legal Advisor confirmed that we have been in compliance with the relevant laws and regulations during the Track Record Period and going forward. See "Regulatory Overview— Regulations On Online Games Publishing and Operation" and "Risk Factors—Risks Related to Our Business and Industry—Our failure to obtain, renew or retain requisite licenses, permits or approvals may adversely affect our ability to conduct our business" for more details.

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The following table sets forth details of our material licenses and permits relating to our business and operations (apart from those pertaining to general business requirements during the Track Record Period), including the holding entity, the issuing authority, the grant date and effective period.

License/Permit/Approval/ Certificate	Holder	Issuing Authority	Date of Grant	Effective Period
Internet Culture Operation License (網絡文化經營許可證)	QC Digital	Department of Culture of Fujian Province	August 20, 2015	August 20, 2015 to August 19, 2018
Internet Culture Operation License (網絡文化經營許可證)	QC Digital	Department of Culture of Fujian Province	July 31, 2018	August 20, 2018 to August 19, 2021
Internet Culture Operation License (網絡文化經營許可證)	QC Cultural	Department of Culture of Fujian Province	March 25, 2015	March 25, 2015 to March 24, 2018
Internet Culture Operation License (網絡文化經營許可證)	QC Cultural	Department of Culture of Fujian Province	March 13, 2018	March 25, 2018 to March 24, 2021
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	QC Digital	Communication Administration Bureau of Fujian Province	December 11, 2019	December 11, 2019 to December 11, 2024
Value-added Telecommunication Business Operation License (增值電信業務經營許可)	QC Cultural	Communication Administration Bureau of Fujian Province	August 26, 2020	August 26, 2020 to August 26, 2025

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Compliance with PRC laws and regulations, especially those governing the mobile game industry, as well as the protection of and defending our intellectual properties, are major focus of our operational risk management. Our legal team is responsible for monitoring any changes in PRC laws and regulations and ensuring the ongoing compliance of our operations with PRC laws and regulations.

We have implemented policies to protect minors according to applicable laws and regulations. See "Regulatory Overview—Regulations Relating to Personal Privacy and Data Protection" for the details of relevant laws and regulations. We require minors under the age of 14 to obtain consents from their parents or other guardians to register accounts with our games, use our services and provide their personal information. If any minor's parent or other guardian explicitly rejects the service we provide to this minor, we will timely delete the information of this minor that we have collect, stored or used, and cease to provide any service to this minor.

As advised by our PRC Legal Advisor, we are required to verify the identities of game players in mainland China pursuant to relevant laws and regulations such as the Notice on Preventing Minors from Indulging in Online Games (國家新聞出版署關於防止未成年人沉迷網絡遊戲的通知). We have connected to the real-name registration and game addiction prevention system of the GAPP for all games published by us in China. A new player must register an account with our games using his or her authentic name and PRC identity number. This identity information will be instantly transmitted to GAPP's real-name registration system, which will verify whether such identity information is valid and authentic and whether this new player is a minor. Only players whose identity information is verified to be valid and authentic can be able to log into our games. If a player is verified to be a minor, we will implement anti-addiction measures in accordance with the relevant supervision requirements, such as restricting the accumulated time such minor play our games. We have implemented the following measures in accordance with the relevant supervision requirements, including the Notice on Further Preventing Minors from Indulging in Online Games (國家新聞出版署關於進一步嚴格管理切實防止未成年人沉迷

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網絡遊戲的通知) and the Notice on Strengthening the Management of Preventing Primary and Middle School Students from Indulging in Online Games (關於進一步加強預防中小學生沉迷網絡遊戲管理工作的通知):

- the real-name registration system requires players to register with valid identity information and players without real-name authentication will not be able to log into our games;

- minors under the age of 8 cannot make purchases in our games;

- the accumulated time that minors play games is monitored, calculated and limited: minors are only allowed to log into our games for one hour from 8:00 p.m. to 9:00 p.m. on each Friday, Saturday, Sunday or PRC statutory holiday, and upon exceeding such time limit, a notification will pop up and the player will be forced to log out; and

- consumption limits for minors have been implemented as required by the relevant regulations.

In addition, based on our communications with our third-party publisher, and to the best knowledge of our Directors, our self-developed game, *Gumballs & Dungeons (不思議謎宮)*, published in mainland China by our third-party publisher, the G-bits Group, has been connected to the real-name registration and game addiction prevention system of the GAPP and has implemented the anti-addiction measures in accordance with the Notice on Further Preventing Minors from Indulging in Online Games. See "Regulatory Overview—Regulations on Real-name Registration and Antiaddiction" for the details of relevant laws and regulations.

Based on the above, our PRC Legal Advisor is of the view that during the Track Record Period and up to the date of this document, we had no violation of PRC laws and regulations that would have a material adverse effect on our business. As demonstrated under "—Licenses, Permits and Approvals," we have obtained licenses, permits, and approvals that are material for our business operations pursuant to applicable PRC laws and regulations. In light of the foregoing, our Directors are of the view, which the Joint Sponsors concur, that compliance with such PRC laws and regulations relating to games publishing and operation, real-name registration and anti-addiction (including restriction on purchase of virtual items and currencies by minors) as described in the section headed "Regulatory Overview" would not have a material adverse effect on our business.

The CAC issued the Draft Cybersecurity Review Measures and the Draft Data Security Regulations on July 10, 2021 and November 14, 2021, respectively. See "Regulatory Overview—Regulations Relating to Information Security and Censorship" for more details. On the basis that (i) the Draft Cybersecurity Review Measures and the Draft Data Security Regulations have not been formally adopted and are subject to further guidance or related implementation rules, (ii) we have not been subject to material fines or administrative penalties imposed by relevant authorities for any violation of laws and regulations regarding data security and cybersecurity, and (iii) we will continue to monitor the developments of data security regulations in the PRC and implement comprehensive measures to ensure continuous compliance, the Directors and our PRC Legal Advisor are of the view, which the Joint Sponsors concur, that we currently do not expect that the Draft Cybersecurity Review Measures and the Draft Data Security Regulations will have a material adverse impact on our business operations or financial performance. See "Summary—Recent Regulation Developments" for more details. However, we and our PRC Legal Advisor cannot preclude the possibility that new rules or regulations promulgated in the future will impose additional compliance requirements.

When we publish or operate games overseas, we typically follow the policies of our third-party game distribution platforms such as App Store, which need to comply with the relevant local laws and regulations related to distribution of games on their platforms in different countries and jurisdictions. We believe our practice is in line with the industry norm for PRC game companies engaged in overseas game publishing and operation business. After consultation with our legal advisors in the relevant jurisdictions, our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with relevant laws and regulations of relevant jurisdictions where we have significant presence.

We are subject to legal proceedings, investigations and claims arising from the ordinary course of our business from time to time. During the Track Record Period and up to the Latest Practicable Date, we were not

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aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

We require our employees to follow our employee manual and code of business conduct and ethics, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanisms, negligence and corruption. We also carry out regular on-the-job compliance training to our management and employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility. We also have adopted an Anti-Corruption Policy and Internal Audit Policy to safeguard against any corruption within our Group. Our staff can anonymously report any suspected corrupt incident to our legal team. Our legal team is responsible for investigating the reported incidents and taking appropriate measures.

RISK MANAGEMENT AND INTERNAL CONTROL

Financial Risk Management

We have adopted internal audit policies in connection with our financial risk management. Our audit department is responsible for conducting internal annual auditing, participating in the preparation of our budget plans and overseeing the implementation of our internal controls. We also plan to provide regular training to our audit department staff to ensure that they understand these policies.

Investment Risk Management

We have in place an internal investment policy regarding the supervision and approval process for our investments in the future and implemented prudent investment strategies during the course of our business. We evaluate and manage each investment based on its specific terms and risks, and make our investment decisions on a case-by-case basis after due and careful consideration of a number of factors, including economic and market conditions, investment amount, duration of investment, expected returns and potential losses.

Our investment process comprises (i) pre-investment assessment and evaluation, (ii) investment decision-making in accordance with our investment policies and execution of the investment, (iii) post investment management and (iv) post-investment evaluation. A project team is assigned for each investment project to manage, supervise and evaluate the investment process and to report to our senior management and our Board.

Our investment team consists of our directors and senior management. The team is primarily responsible for (i) identifying and assessing potential investment targets, (ii) executing investment transactions, (iii) preparing periodical analysis of our portfolio, (iv) reporting any red flags of material operational, financial, or other investment risk, (v) conducting post-investment evaluation, and (vi) monitoring the performance of our portfolio companies in which we have committed capital, and managing our portfolio companies and adjusting our investment portfolio. In addition, we may engage financial advisers to provide advisory services in relation to investment opportunities and decisions.

We have in place a set of investment policies and internal control measures for investments in companies and funds in order to achieve target returns on our investments while maintaining proper internal governance.

Our investment policies for investments in companies and funds set out, among others, the following requirements:

(i)   the scale of investments, individually or in the aggregate, shall be suitable to our scale of operation, leverage ratio and financing capability;

(ii) the proposed investments projects and the methods involved in conducting such investments projects shall be assessed internally to ensure compliance with applicable laws and regulations; and

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(iii) the investment team shall actively monitor our portfolio, take proactive management measures, if needed, for our portfolio companies, and review the results of our investment in funds on a regular basis.

We have in place a clear reporting procedure to support effective and resilient risk management. Investment opportunities of different scales and significance would be reported and approved by appropriate responsible persons or corporate institutions subject to our internal policies and the applicable laws and regulations, including the Listing Rules. The investment team has the authority to (i) approve investment plans with the highest applicable percentage ratio, as calculated under Rule 14.07 of the Listing Rules, being less than 15%; or (ii) delegate the chief executive officer or chief operating officer (where applicable) on its behalf to approve investment plans in an aggregate amount of less than RMB500,000 and with the highest applicable percentage ratio, as calculated under Rule 14.07 of the Listing Rules, being less than 15%. Investment plans require Board approval if the highest applicable percentage ratio, as calculated under Rule 14.07 of the Listing Rules, with respect to the aggregate amount of the prospective investment exceeds 15%.

In addition, if the chairman of the Board or the investment team deems an investment is likely to expose any or all members of our Group to substantial risks, such institution or person may submit the proposal associated with such investment to the Board for review and approval.

Information Risk Management

We have implemented internal control procedures to protect the safety of user data and ensure compliance with applicable regulatory requirements. Our information technology team monitors the operating status of our network devices, servers, operating systems and database, and responds to and deals with any issues that may arise in a timely manner. See "—Data Privacy" for more details on our company-wide policy on data collection and protection practices.

In addition, we enter into user privacy agreement with our players on data collection and protection. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

Legal Compliance and Intellectual Property Risk Management

We have a dedicated in-house legal team responsible for ensuring our mobile game operations' compliance with the relevant rules and regulations. Our legal department examines our contract terms, reviews all relevant licenses, approvals and permits required of us, conduct due diligence into our counterparties, and continuously monitors our compliance status and legal risks. For the relevant rules and regulations, see "Regulatory Overview."

To manage IP risks, we review carefully required documentation before the official launch of a game to spot any potential risks. We were not subject to any material IP-related complaints or allegations during the Track Record Period and up to the Latest Practicable Date. In addition, we disallow and disable sale of in-game virtual items among our players, and we discourage sale of game accounts among the players. We also have implemented measures to prevent the game players from using fake identity for our games in China.

Internal Controls

Our Board of Directors is responsible for establishing our internal control system and reviewing its effectiveness. We have adopted or plan to implement the following internal control measures:

- adopt various measures and procedures regarding our business operations. We provide periodic training on these measures and procedures to our employees and regularly monitor their implementation in our game development, publishing and operation processes.

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- establish an Audit Committee responsible for overseeing our financial records, risk management and internal control procedures, assisting and monitoring the auditing process (including making recommendations to our Board of Directors on the appointment and removal of external auditors), and performing other duties and responsibilities as assigned by our Board of Directors or required by relevant laws and regulations. Our Audit Committee consists of three members, Mr. Zhang Longgen (Chairman), Ms. Fang Weijin and Professor Lam Sing Kwong Simon. See "Directors and Senior Management—Board of Directors" and "Directors and Senior Management—Committees under the Board of Directors—Audit Committee" for their qualifications and experience as well as the responsibilities of our Audit Committee;

- with the assistance of internal and external legal advisors, our Directors continuously monitor our compliance with relevant laws and regulations;

- monitor fraudulent activities by establishing code of conduct for our employees and anti-fraud rules. Our anti-fraud team consists of five members and is authorized to execute our anti-fraud measures, including overseeing the implementation of the code of conduct for our employees and taking disciplinary actions against non-compliance, handling complaints and whistle-blower reports, conducting internal investigations, reporting to our Board of Directors, and timely rectifying identified corrupt or fraudulent activities and taking preventative measures to avoid future non-compliance; and

- prepare risk management report periodically to the Board of Directors, covering identified risks, evaluation and proposed responding measures, and monitor the implementation of our risk management policies across our Group on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.