

CONNECTED TRANSACTIONS

We have entered into certain transactions in the ordinary and usual course of business with entities that will become our connected persons upon the [REDACTED], and such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

In addition, the transactions contemplated under the Contractual Arrangements, through which we obtained effective control over our PRC consolidated Affiliated Entities and can receive all of the economic interest returns generated by our PRC Consolidated Affiliated Entities, constitute continuing connected transactions of our Company under the Listing Rules.

OUR CONNECTED PERSONS

The table below set forth the parties who will become our connected persons and conduct continuing connected transactions with our Group upon the [REDACTED] and the nature of their relationship with our Group.

<u>Name</u>	<u>Connected Relationship with our Group</u>
G-bits Group	As of the Latest Practicable Date, G-bits, through its indirect wholly-owned subsidiary, HK Kunpan, held 21.37% of the total issued shares in the Company. Accordingly, G-bits is a substantial shareholder of our Group, and therefore G-bits and its subsidiaries are connected persons of our Company under Rules 14A.07(1) and 14A.13(1) of the Listing Rules.
Mr. Yang	Mr. Yang is an executive Director of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Huang	Mr. Huang is an executive Director of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Liu	Mr. Liu is an executive Director of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Zeng	Mr. Zeng is an executive Director of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Wei	Mr. Wei is a director of WFOE, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Wofan Qihang	As of the Latest Practicable Date, Wofan Qihang was held as to 67.20% by Mr. Huang, 20.00% by Mr. Liu and 12.80% by Mr. Zeng, respectively, and is therefore an associate of Mr. Huang and a connected person of our Company under Rule 14A.07(4) of the Listing Rules.

We have entered into the following transactions with some of the respective entities mentioned above. Such transactions will continue after the [REDACTED] and will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

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CONTINUING CONNECTED TRANSACTIONS

Summary of Our Continuing Connected Transactions

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Historical amounts for the year ended December 31,			Proposed annual caps for the year ending December 31,		
			2018	2019	2020	2021	2022	2023
<i>(in thousand RMB)</i>								
Fully exempt continuing connected transactions								
1. Games Alliance with G-bits								
Mutual licensing of intellectual property rights of characters in games owned by our Group and G-bits Group	14A.34, 14A.52, 14A.53 and 14A.76	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Partially exempt continuing connected transactions								
2. Property Leasing and Administrative Services								
Lease and administrative services expenses payable by our Group to G-bits Group (<i>Expense-based</i>)	14A.34, 14A.35, 14A.49, 14A.71 and 14A.76	Announcement requirement under Rule 14A.35 of the Listing Rules for the term ending [December 31, 2023]	1,427	2,161	2,570	[4,500]	[5,400]	[6,480]
Non-exempt continuing connected transactions								
3. Game Cooperation with G-bits								
(a) Fees payable by our Group to G-bits Group (<i>Expense-based</i>)	14A.34, 14A.35, 14A.36, 14A.49, 14A.71 and 14A.76	Requirements as to announcement, circular and independent Shareholders' approval under Rules 14A.35 and 14A.36 of the Listing	0	0	0	[5,500]	[54,000]	[25,000]
(b) Fees payable by G-bits Group to our Group (<i>Revenue-based</i>)		Rules for the term ending [December 31, 2023]	44,135	31,591	57,196	[46,800]	[38,400]	[33,600]

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Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Historical amounts for the year ended December 31,			Proposed annual caps for the year ending December 31,		
			2018	2019	2020	2021	2022	2023
<i>(in thousand RMB)</i>								
4. Marketing and Promotion Cooperation with G-bits								
(a) Marketing and promotion services fees payable by our Group to G-bits Group <i>(Expense-based)</i>	14A.34, 14A.35, 14A.36, 14A.49, 14A.71 and 14A.76	Requirements as to announcement, circular and independent Shareholders’ approval under Rules 14A.35 and 14A.36 of the Listing Rules for the term ending [December 31, 2023]	0	0	66,843	[25,000]	[30,000]	[36,000]
(b) Marketing and promotion services fees payable by G-bits Group to our Group <i>(Revenue-based)</i>			0	0	0	[3,000]	[4,000]	[5,000]
5. Contractual Arrangements								
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.53 to 59, and 14A.71	Requirements as to announcement, circular, independent Shareholders’ approval and annual caps under Chapter 14A of the Listing Rules	N/A	N/A	N/A	N/A	N/A	N/A

Fully Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. Under Rule 14A.76(1)(a) of the Listing Rules, the following transactions will be fully exempted from announcement, annual review, reporting, circular (including independent financial advice) and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

1. Games Alliance with G-bits

On June 1, 2019, we entered into a games alliance agreement (the “**Games Alliance Framework Agreement**”) with G-bits, pursuant to which our Group granted a license to G-bits to use the intellectual property rights of certain character in *Gumballs & Dungeons* (不思議迷宮) in exchange for G-bits granting a license to our Group to use the intellectual property rights of certain characters in *Give it up! Bouncy* (永不言棄：黑洞) for the purpose of promoting and marketing each other’s games via their respective platforms. There is no monetary consideration involved under the Games Alliance Framework Agreement. Leveraging the game platforms operated by the G-bits Group, we believe that the game alliance with G-bits will enhance the marketing exposure of our game and attract new game players and therefore is beneficial to the Group. The term of the Games Alliance Framework Agreement is three years from the date of the agreement.

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As no monetary consideration is involved under the Games Alliance Framework Agreement, the transactions contemplated under the Games Alliance Framework Agreement will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

Partially Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the following transactions will be subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular (including independent financial advice) and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

2. Property Leasing and Administrative Services

Background for the transactions

During the Track Record Period, we have historically been using certain properties owned by G-bits as office premises and G-bits has also provided certain ancillary office administrative services to us with regards to these office premises. In anticipation of the [REDACTED], we and G-bits entered into a property leasing and administrative services framework agreement on November 18, 2021 (the “**Property Leasing and Administrative Services Framework Agreement**”), effective upon [REDACTED] until [December 31, 2023].

Principal terms

Pursuant to the Property Leasing and Administrative Services Framework Agreement, G-bits and/or its subsidiaries shall lease to our Group office premises in an office building located in Xiamen, the PRC with an aggregate gross area of approximately 3,139.49 square meters as office premises and provide to our Group ancillary office administrative services for these office premises. We may rent additional property space from G-bits or its subsidiaries in accordance with the actual demand of our Group. The relevant tenants from our Group and the relevant landlords among G-bits and its subsidiaries shall enter into separate lease and administrative services agreements which shall set out the specific terms and conditions pursuant to the principles and conditions provided in the Property Leasing and Administrative Services Framework Agreement.

Reasons for and benefits of the transactions

Our Group leased the abovementioned office premises for its business operations throughout the Track Record Period. Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs.

Pricing Policy

The rental price and administrative services fees under the Property Leasing and Administrative Services Framework Agreement is determined between the parties following arm’s length negotiations with reference to:

- (a) the gross area of the relevant property and the rental period;
- (b) the conditions of the relevant property;
- (c) the market prices of comparable properties of similar conditions and administrative services of similar nature in the vicinity; and

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- (d) the rental price and administrative services fees payable by Independent Third Parties to G-bits and/or its subsidiaries in respect of comparable properties.

The rental price and administrative services fees may be reviewed and adjusted every rental period during the term of the Property Leasing and Administrative Services Framework Agreement with reference to the prevailing market rental prices and services fees, the consumer price index and the terms and conditions of the leases and administrative services offered by G-bits and/or its subsidiaries to other tenants. Through such process, we will be able to ensure that the rental price and administrative services fees represents the prevailing market price and on normal commercial terms that are comparable to those with independent third parties and are no less favorable to the Group.

Historical figures

The total lease and administrative services expenses incurred by our Group payable to G-bits Group for each of the three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, were approximately RMB1,427,000, RMB2,161,000 and RMB2,570,000, and RMB[1,721,000], respectively.

Proposed annual caps and their basis

The Directors estimated the annual caps of the aggregate lease and administrative services expenses to be payable by our Company for the property leasing and administrative services under the Property Leasing and Administrative Services Framework Agreement for the years ending December 31, 2021, 2022 and 2023 are as follows:

	For the years ending December 31,		
	2021	2022	2023
	<i>(in thousand RMB)</i>		
Lease and administrative services expenses payable by our Group to G-bits Group	[4,500]	[5,400]	[6,480]

In arriving at the above proposed annual caps in respect of the lease expenses under the Property Leasing and Administrative Services Framework Agreement, the Directors have considered (i) the historical transaction amounts and the average year-on-year growth rate for the three years ended December 31, 2020; (ii) the conditions of the office premises including but not limited to, the actual floor space usage ratio, neighboring area and facilities available; (iii) the current rental prices and administrative services charges of comparable properties in the vicinity and the prevailing market rates; (iv) the expected increase in rental prices and administrative services charges based on prediction on the future development of the property market in the PRC; and (v) a buffer for the potential increasing demand of our Group for property space due to expansion plan.

Listing Rules implications

As the highest applicable percentage ratio for each of the three years ending December 31, 2023 in relation to the Property Leasing and Administrative Services Framework Agreement is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the Property Leasing and Administrative Services Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Non-Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. As such, the following transactions

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will be a non-exempt continuing connected transaction under Chapter 14A of the Listing Rules, subject to annual review, announcement, reporting, circular (including independent financial advice) and independent Shareholders’ approval requirements.

3. Game Cooperation with G-bits

Background for the transactions

On November 18, 2021, we and G-bits entered into a game cooperation framework agreement (“**Game Cooperation Framework Agreement**”), pursuant to which, our Group agreed to (i) license games of G-bits Group for publishing and operating on our platforms in designated regions on an exclusive basis (expense-based); and (ii) license our games to G-bits Group for publishing and operating such games on their platforms in designated regions on an exclusive basis (revenue-based). Our Group and G-bits Group also agreed to participate in marketing games licensed to the exclusive publication and operation of the other party. Our Group and G-bits Group shall pay fees to each other (as the case may be). The precise scope of cooperation, the calculation of fees and other details of the cooperation shall be agreed between the relevant parties separately.

The Game Cooperation Framework Agreement shall be effective upon [REDACTED] until [December 31, 2023].

Fee Arrangement

The fees payable by our Group or G-bits Group (as the case may be) for publishing and operating of our Group’s or G-bits Group’s games on the other’s platform shall be calculated on any of the following basis:

- Fixed distribution fees and/or license fees;
- Revenue/profit sharing between the parties;
- Prepaid revenue/profit sharing between the parties; and/or
- Game performance bonus.

Reasons for and benefits of the transactions

G-bits develops, publishes and operates a large number of online games in the PRC. While we typically publish and operate games which we self-developed, we also have commercial liberty to (i) engage third-party publishers to publish and operate games we self-developed; and (ii) obtain licenses from third-party game developers to publish and operate games owned by them to maximize our earnings. It is expected that our Group and G-bits Group could leverage each other’s competitive advantages in products and platforms and players’ pool to improve popularity of games owned by each other, increase the number of platform users and leverage each other’s game publishing and operating capabilities.

Pricing Policy

The license fees and revenue sharing payable by our Group to G-bits Group and those payable by G-bits Group to our Group shall be determined after arm’s length negotiations between the parties with reference to the prevailing market price and/or fee range of similar cooperation in the industry and consideration of various commercial factors, including, but not limited to, the nature of the cooperation, popularity, quality and commercial potential of the relevant games and duration of the engagement.

To ensure that the fees to be paid by our Group represents the prevailing market price and on normal commercial terms that are comparable to those with independent third-party and no less favorable to the Group,

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we will assess the potential user traffic and gross billings that are expected to arise from the platforms operated by G-bits Group and compare the fee arrangements we have with other independent third parties on licensing of games for exclusive publication and operation as well as the prevailing fee structure and pricing terms of comparable IPs in the market, where available.

Historical Amounts

The aggregate amounts of fees paid by our Group to G-bits Group and the fees paid by G-bits Group to our Group for the three years ended December 31, 2020 and the six months ended June 30, 2021 are as set out in the table below:

	For the years ended December 31,			For the six months ended June 30,
	2018	2019	2020	2021
	<i>(in thousand RMB)</i>			
(a) Fees incurred by our Group payable to G-bits Group ⁽¹⁾ (<i>Expense-based</i>)	0	0	0	0
(b) Fees incurred by G-bits Group payable to our Group ⁽²⁾ (<i>Revenue-based</i>)	44,135	31,591	57,196	[18,762]

Notes:

- (1) During the Track Record Period, we did not license any games from G-bits Group for publishing and operating. Nevertheless, 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, G-bits Group engaged us and we licensed the game *Project B* from the G-bits Group following the Track Record Period.
- (2) During the Track Record Period, two of our games were exclusively published and operated by G-bits Group in the PRC and Hong Kong, Macau and Taiwan, respectively. *Gumballs & Dungeons* (不思議迷宮) was launched in December 2016 in the PRC and *The Marvelous Snail* (最強蝸牛) was launched in July 2020 in Hong Kong, Macau and Taiwan.

Proposed annual caps and their basis

The proposed annual caps for the fees payable by our Group to G-bits Group and the fees payable by G-bits Group to our Group under the Game Cooperation Framework Agreement for the three years ending December 31, 2023 are set out in the table below:

	For the years ending December 31,		
	2021	2022	2023
	<i>(in thousand RMB)</i>		
(a) Fees payable by our Group to G-bits Group (<i>Expense-based</i>)	[5,500]	[54,000]	[25,000]
(b) Fees payable by G-bits Group to our Group (<i>Revenue-based</i>)	[46,800]	[38,400]	[33,600]

With reference to the historical amounts between our Group and G-bits Group, the proposed annual caps were determined based on the future business between our Group and G-bits Group after arm’s length discussions. In particular:

- (a) in determining the above proposed annual caps in respect of the fees payable by our Group to G-bits Group, our Directors have considered the revenue expected to be generated and the lifecycle of the game that G-bits Group owns and is to be distributed by our Group. In particular, *Project B* is expected to have an initial surge in revenue upon its publication in 2022 and reached the maturity stage with steady revenue in 2023 based on the projected performance of *Project B* having taken into account the performance of the Group’s licensed games such as *Ares Virus* (阿瑞斯病毒) and *Lantern and Dungeon* (提燈與地下城) during

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the Track Record Period. The table below indicates the annual caps in relation to fee payable by our Group to G-bits Group for such game:

	For the years ending December 31,		
	2021	2022	2023
<i>Project B</i> ⁽¹⁾	[5,500] ⁽²⁾	[54,000] ⁽³⁾	[25,000] ⁽³⁾

Notes:

- (1) It is expected that *Project B* will be published in 2022.
 - (2) Represents the initial license fee and other upfront payments payable in 2021 pursuant to the relevant agreement.
 - (3) Based on projected revenue sharing with an initial surge in 2022.
- (b) in determining the above proposed annual caps in respect of the fees payable by G-bits Group to our Group, our Directors have considered the number and scale of games our Group owns that are to be published and operated on G-bits Group’s platforms, the respective revenue expected to be generated and the lifecycles of such games.

In particular, taking into account (i) the historical amount of fees paid by G-bits Group to our Group; and (ii) the anticipated revenue to be generated by the games in operation given the popularity and lifecycles of such games. *Gumballs & Dungeons* (不思議迷宫) and *The Marvelous Snail* (最強蝸牛) were launched in the PRC in December 2016 and in Hong Kong, Macau and Taiwan in July 2020, respectively. As of the Latest Practicable Date, both games have reached their maturity stage. Thus it is forecasted that the revenue they will contribute will decrease throughout 2021 to 2023. The table below indicates the breakdown of annual caps in relation to fees payable by G-bits Group to our Group in the form of revenue sharing by reference to games to be distributed through the platforms of G-bits Group:

	For the years ending December 31,		
	2021	2022	2023
<i>Gumballs & Dungeons</i> (不思議迷宫) ⁽¹⁾	[19,200]	[13,200]	[12,000]
<i>The Marvelous Snail</i> (最強蝸牛) ⁽²⁾	[27,600]	[25,200]	[21,600]

Notes:

- (1) *Gumballs & Dungeons* (不思議迷宫) was launched in the PRC in December 2016. During the Track Record Period, *Gumballs & Dungeons* was exclusively published and operated by G-bits Group in the PRC.
- (2) *The Marvelous Snail* (最強蝸牛) was launched in Hong Kong, Macau and Taiwan in July 2020. During the Track Record Period, *The Marvelous Snail* was exclusively published and operated by G-bits Group in Hong Kong, Macau and Taiwan.

Listing Rules implications

Please refer to the section headed “4. Marketing and Promotion Cooperation with G-bits—Listing Rules implications” below.

4. Marketing and Promotion Cooperation with G-bits

Background for the transactions

Pursuant to the Game Cooperation Framework Agreement, our Group and G-bits Group also agreed to cooperate on marketing and promoting games owned by the other party on its own platforms.

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The material terms of the Game Cooperation Framework Agreement in relation to marketing and promotion services are set forth as follows:

- *Nature:* G-bits Group shall provide marketing and promotion services, including but not limited to marketing, promotion and advertising to our Group for our games on platforms operated by G-bits Group. Meanwhile, our Group shall provide marketing and promotion services, including but not limited to marketing, promotion and advertising to G-bits Group for G-bits Group’s games on platforms operated by our Group.
- *Term:* the term shall commence on the [REDACTED] and expire on December 31, 2023.
- *Fee arrangement and settlement:* See below for details of the agreed fee arrangement. Settlement method will be agreed in separate underlying orders.

Fee Arrangement

In return for the marketing and promotion services provided, our Group and G-bits Group will pay the other party marketing and promotion fees using one or more of the following methods, depending on the means of cooperation:

- Cost per action: charged based on the number of newly activated users;
- Cost per click: charged based on the price of each click and number of clicks of online users;
- Cost per sale: charged based on the users’ actual top-up amount;
- Fixed amount of marketing and promotion fee with reference to the prevailing market rates; or
- Other fee arrangements agreed by the parties with reference to the prevailing market rates.

The channel expense will be agreed by the parties separately.

Reasons for and benefits of the transactions

During the Track Record Period, our Group has been engaging G-bits Group for their marketing and promotion services and we expect to continue on engaging G-bits Group for their marketing and promotion services. G-bits Group has a strong marketing platform in the PRC and offers comprehensive marketing and promotion services to mobile game companies. We believe that G-bits Group will be able to enhance popularity and commercial potential of our games extensively and we will tap into the diverse pool of potential game players on G-bits Group’s platforms. In addition, we also expect to cooperate with G-bits Group on the provision of our marketing and promotion services to G-bits Group. As our Group continues to develop more games and operate more gaming platforms, we believe through providing marketing and promotion services to third party game developers (including G-bits Group), it will create a new revenue stream for our Group and diversify our revenue base and improve our market position.

Pricing Policy

The marketing and promotion services fees payable by our Group to G-bits Group and by G-bits Group to our Group will be determined after arm’s length negotiations between the parties with reference to the prevailing market rates announced by the parties and/or fee range of similar cooperation in the industry taking into account of relevant commercial factors, including, but not limited to, the types of games involved, the form and nature of the marketing and promotion services and the promotion period.

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To ensure that the fees to be incurred by our Group represents the prevailing market rates and on normal commercial terms that are comparable to those with independent third parties and no less favorable to our Group, we will compare the service fee rates charged by our Group for other game developers, and where available, we will obtain fee quotes from independent third parties service providers.

Historical Amounts

The aggregate amounts of marketing and promotion services fees paid by our Group to G-bits Group and the marketing and promotion services fees paid by G-bits Group to our Group for the three years ended December 31, 2020 and the six months ended June 30, 2021 are as set out in the table below:

	For the years ended December 31,			For the six months ended June 30,
	2018	2019	2020	2021
	<i>(in thousand RMB)</i>			
(a) Marketing and promotion services fees paid by our Group to G-bits Group ⁽¹⁾ (<i>Expense-based</i>)	0	0	66,843	7,512
(b) Marketing and promotion services fees paid by G-bits Group to our Group ⁽²⁾ (<i>Revenue-based</i>)	0	0	0	0

Notes:

- (1) During the Track Record Period, our Group engaged G-bits Group to provide marketing and promotion services to promote our game on their platforms.
- (2) During the Track Record Period, G-bits Group did not engage our Group to provide marketing and promotion services. Given our strong marketing and promotion capabilities as illustrated by our success in launching landmark mobile games such as *The Marvelous Snail* (最強蝸牛) and *Lantern and Dungeon* (提燈與地下城) during the Track Record Period, G-bits decided to engage us as one of its marketing and promotion services provider after the Track Record Period.

Proposed annual caps and their basis

The proposed annual caps for the marketing and promotion services fees payable by our Group to G-bits Group and the marketing and promotion services fees payable by G-bits Group to our Group under the Game Cooperation Framework Agreement for the three years ending December 31, 2023 are set out in the table below:

	For the years ending December 31,		
	2021	2022	2023
	<i>(in thousand RMB)</i>		
(a) Marketing and promotion services fees payable by our Group to G-bits Group (<i>Expense-based</i>)	[25,000]	[30,000]	[36,000]
(b) Marketing and promotion services fees payable by G-bits Group to our Group (<i>Revenue-based</i>)	[3,000]	[4,000]	[5,000]

With our increased capability to plan and organize marketing and promotional activities, we expect that the marketing and promotion services fees payable by our Group to G-bits Group for each of the three years ending December 31, 2023 will be less than the fees paid by us in 2020.

In determining the proposed annual cap for the year ending December 31, 2021, the Directors took into account of the historical transaction amounts incurred for the six months ended June 30, 2021 and a steady increase rate of 20% was added to the annual caps for the year ending December 31, 2022 and 2023 to account for the possible market fluctuations and any unexpected increase of costs or demand to facilitate smooth operations of our Group. In particular, the increase rate of 20% for the proposed annual caps of the marketing and promotion services fees payable by the Group to G-bits Group has also taken into account the estimated growth in our game operating revenues to be derived from our pipeline games and the estimated increase in future needs for marketing and promotion services to support such revenue growth and our pipeline games.

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In determining the above proposed annual caps in respect of marketing and promotion services fees payable by G-bits Group to our Group, our Directors have considered (i) the historical transaction amounts incurred for the six months ended June 30, 2021; and (ii) the future cooperation plan between our Group and G-bits Group including but not limited to the types and scale of the marketing and promotion services after arm’s length negotiations and discussions between the parties.

Listing Rules implications

As the highest applicable percentage ratio for each of the proposed annual caps for the three years ending December 31, 2023 with respect to the transactions contemplated under the Game Cooperation Framework Agreement (in respect of (1) fees payable by our Group to G-bits Group under the game cooperation arrangement; and (2) marketing and promotion services fees payable by our Group to G-bits Group, in aggregate), are expected to exceed 5% on an annual basis, the transactions contemplated under the Game Cooperation Framework Agreement (in respect of (1) fees payable by our Group to G-bits Group under the game cooperation arrangement; and (2) marketing and promotion services fees payable by our Group to G-bits Group, in aggregate) will constitute continuing connected transactions of our Company, and subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirements under 14A.35 of the Listing Rules and the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.

As the highest applicable percentage ratio for each of the proposed annual caps for the three years ending December 31, 2023 with respect to the transactions contemplated under the Game Cooperation Framework Agreement (in respect of (1) fees payable by G-bits Group to our Group under the game cooperation arrangement; and (2) marketing and promotion services fees payable by G-bits Group to our Group, in aggregate), are expected to exceed 5% on an annual basis, the transactions contemplated under the Game Cooperation Framework Agreement (in respect of (1) fees payable by G-bits Group to our Group under the game cooperation arrangement; and (2) marketing and promotion services fees payable by G-bits Group to our Group, in aggregate) will constitute continuing connected transactions of our Company, and subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirements under 14A.35 of the Listing Rules and the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.

5. Contractual Arrangements

Background for the transactions

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in mobile game business, we cannot directly or indirectly, hold any equity interest in our PRC Consolidated Affiliated Entities, which hold certain licenses and permits required for operation of our business. As a result, our Group entered into the Contractual Arrangements with QC Digital and its Registered Shareholders so that we can conduct our business operations indirectly in the PRC through our PRC Consolidated Affiliated Entities while complying with applicable PRC laws and regulations. The Contractual Arrangements, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Consolidated Affiliated Entities, to the extent permitted by the PRC laws and regulations which enable us to, among others, (i) become entitled to all the economic benefits derived from our PRC Consolidated Affiliated Entities in consideration for the technical consultation and services provided by WFOE to QC Digital; (ii) exert effective control over our PRC Consolidated Affiliated Entities; and (iii) hold an exclusive option to acquire all or part of the equity interest/assets of QC Digital when and to the extent permitted by the PRC laws and regulations.

The Contractual Arrangements consist of a series of agreements, including (i) Exclusive Business Cooperation Agreement; (ii) Exclusive Option Agreement; (iii) Equity Pledge Agreement; and (iv) Voting Rights Proxy Agreement and Powers of Attorney, each of which is an integral part of the contractual arrangements. For detailed terms of these agreements, please refer to the section headed “Contractual Arrangements” to this document.

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Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED] as certain parties to the Contractual Arrangements, namely, Mr. Yang, Mr. Huang, Mr. Liu, Mr. Zeng, Mr. Wei and Wofan Qihang, are connected persons of our Group.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our PRC Consolidated Affiliated Entities and any member of our Group (the “**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) (which are (a) solely restricted to matters that are contemplated under the Contractual Arrangements; and (b) narrowly tailored to achieve our Company’s business purposes and minimizing the potential for conflict with the relevant PRC laws and regulations) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders’ approval requirements.

INTERNAL CONTROL MEASURES FOR PARTIALLY EXEMPT AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

For partially exempt continuing connected transactions and non-exempt continuing connected transactions, we will establish the following internal review procedures upon the [REDACTED] to ensure that the pricing under the partially exempt continuing connected transactions and non-exempt continuing connected transactions is fair and reasonable:

- we will adopt and implement a management system on connected transactions and our Board and the various internal departments of our Company (including the finance, legal and internal control departments) will be responsible for the control and daily management in respect of the continuing connected transactions;
- our Board and various internal departments of our Company (including the finance, legal and internal control departments) will be jointly responsible for evaluating the terms under for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- we will, to the extent commercially practicable, seek to obtain quotations from independent third parties for similar premises/services and will compare the commercial terms offered by the independent third parties with those offered by G-bits Group;
- our Board and various internal departments of our Company will regularly monitor the fulfillment status and the transaction updates under the relevant framework agreements. In addition, the management of our Company will also regularly review the pricing policies of the relevant framework agreements; and
- our independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements on normal commercial terms and in accordance with the pricing policy.

CONNECTED TRANSACTIONS

WAIVERS FROM THE STOCK EXCHANGE

As the material terms of each of the partially exempted and non-exempted connected transactions are disclosed in this document and potential [REDACTED] will participate in the [REDACTED] on the basis of the disclosures, the Directors consider that strict compliance with the announcement requirement and, where applicable, the circular (including independent financial advisor) and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules, would be impracticable and unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company. In addition, the Directors, including the independent non-executive Directors, believe that it is in the interest of our Company to continue with these transactions after [REDACTED].

As a result, our Company has applied to the Stock Exchange for, and has been granted, subject to the condition that the value of the annual transactions shall not exceed their respective estimated annual caps as stated above:

- (a) a waiver under Rule 14A.105 of the Listing Rules to exempt transactions set out in the sub-section headed “Partially Exempt Continuing Connected Transactions” in this section from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rule for the term ending [December 31, 2023]; and
- (b) a waiver under Rule 14A.105 of the Listing Rules to exempt the transactions set out in the sub-section headed “Non-Exempt Continuing Connected Transaction” in this section from strict compliance with the announcement, circular and independent Shareholders’ approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules for the terms [December 31, 2023].

In addition, we confirm that we will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in the terms of these transactions.

The Contractual Arrangements

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the period of the Contractual Arrangements to a fixed term under Rule 14A.52 of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules, for so long as our Shares are [REDACTED], subject, however, to the following conditions:

(a) No change without independent non-executive Directors’ approval

No change to the Contractual Arrangements (including with respect to any fees payable to WFOE thereunder) will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders’ approval

Save as described in paragraph (c) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders’ approval. Once independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (d) below) will, however, continue to be applicable.

CONNECTED TRANSACTIONS

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Consolidated Affiliated Entities through (i) our Group’s option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC laws; (ii) the business structure under which the profit generated by the PRC Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE by QC Digital under the Exclusive Cooperation Agreement; and (iii) our Group’s right to control the management and operation of, as well as the substance of, all of the voting rights of QC Digital.

(c) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding on the one hand, and the PRC Consolidated Affiliated Entities on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of our Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements.

The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company, other than those under similar contractual arrangements, shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(d) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by QC Digital to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and QC Digital during the relevant financial period under paragraph (c) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.
- Our Company’s auditors will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, our PRC Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, and at the same time the directors, chief executives or substantial shareholders of our PRC Consolidated

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Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our PRC Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, our PRC Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- Our PRC Consolidated Affiliated Entities will undertake that, for so long as our Shares are [REDACTED], our PRC Consolidated Affiliated Entities will provide our Group’s management and our Company’s auditor with full access to their relevant records for the purpose of our Company’s auditor’s review of the connected transactions.
- In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any Exclusive Cooperation Agreement; (ii) the requirement of setting an annual cap for the fees payable to any member of our Group from our PRC Consolidated Affiliated Entities in the Exclusive Cooperation Agreement; and (iii) the requirement of limiting the period of the Contractual Arrangements to a fixed term under Rule 14A.52 of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules, for so long as Shares are [REDACTED]. The waiver is subject to the condition that the Contractual Arrangements subsist and that our PRC Consolidated Affiliated Entities will continue to be treated as our Company’s subsidiaries, but their directors, chief executives or substantial shareholders of our PRC Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding, for this purpose, our PRC Consolidated Affiliated Entities), and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM THE DIRECTORS

The Directors, including the independent non-executive Directors, are of the view that:

- (a) the partially exempt continuing connected transactions and the non-exempt continuing connected transactions described above for which waivers are sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms which are fair and reasonable and in the interests of our Company and the Shareholders as a whole;
- (b) the proposed annual caps of such partially exempt continuing connected transactions and the non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (c) with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the partially exempt continuing connected transactions and the non-exempt continuing

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connected transactions described above and have obtained confirmations from our Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that:

- (a) the partially exempt continuing connected transactions and non-exempt continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms which are fair and reasonable and in the interests of our Company and the Shareholders as a whole;
- (b) the proposed annual caps of such partially exempt continuing connected transactions and non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (c) with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.