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OVERVIEW

Evolution and Development of our Business

We are a marketing service provider based in the PRC. Since we commenced our operation in traditional telecommunications marketing and promotion businesses in the PRC in 2015, we have strived to provide our customers with marketing services that are comprehensive and tailored to their corporate needs.

Over the years, we have endeavoured to expand our capacities in providing marketing services in accordance with the prevailing market trends and developments. Initially providing marketing services for advertisers through traditional offline channels, we have built up our service offerings with such additions as online marketing services via large-scale media platform operators, virtual goods sourcing and delivery services, advertisement distribution services, and advertisement placement services. We have achieved our business diversification by means of constant upgrades to our business through both organic growth and acquisitions, as a result of which there has been a corresponding increase in our customer base and the variety of the forms and channels in which our marketing services have been delivered. With business diversification, enhanced market penetration and potential synergies from possible further business collaboration in mind, we have also been providing IT solutions services, which our Directors believe could benefit the growth of our marketing and promotion services in the longer term. In addition, we have diversified and rolled out a series of platforms for specific areas of our operations, such as Rego Virtual Goods Platform, RegoAd SDK, and Rego Advertisement Operations and Management Platforms. Our Directors consider that this platform-based approach has been a driving force behind our business growth over the years: on top of maximisation of operational efficiency, platform-based operation favours the conduct of transactions and revenue generation on a sizeable scale and a recurring basis given the ease and convenience it brings to both our customers and our suppliers; it is therefore one of the key business development directions we have taken all along, and we shall remain steadfast in our pursuit of this business strategy going forward.

The evolution of our marketing services and the diversification of our means of delivery had driven the significant growth of our Group during the Track Record Period, with a CAGR of approximately 56.7% registered in our revenue from FY2019 to FY2021. Our total revenue had also increased by approximately 10.9% from RMB63.8 million for 4M2021 to RMB70.7 million for 4M2022. We shall carry on the growth momentum through, among others, further developing and expanding our marketing channels and resources for our marketing and promotion services, our supplier base and portfolio of virtual goods, and our SaaS enterprise marketing service platform, as more particularly set forth in “Our Business Strategies” in this section.

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Our Marketing and Promotion Services

Marketing and promotion services constitute our core business segment and contributed over 70.0% of our revenue throughout the Track Record Period. Centred around enabling user acquisition, engagement and/or retention for advertisers, our marketing and promotion services can be broken down into two sub-segments, namely (1) promotion and advertising services; and (2) virtual goods sourcing and delivery services.

According to the iResearch Report, in terms of the total advertising spending on five major media channels, the market size of the advertising industry in the PRC increased from approximately RMB505.5 billion in 2017 to RMB1,026.8 billion in 2021 at a CAGR of 19.4%, and is expected to grow further to RMB1,771.4 billion in 2026 at a CAGR of 11.5% from 2021.

In the value chain of the advertising industry in the PRC, we play the role of an intermediate advertising service provider. According to the iResearch Report, as advertisers place a greater focus on online advertising and as a result of rapid technological developments, intermediate advertising service providers are becoming increasingly important and constitute a fast-developing segment in the market. “Advertisers” refer to businesses desirous of advertising and promoting their product or services. “Publishers” are entities which ultimately present advertisements to the audience for and on behalf of the advertisers or the advertising agents engaged by the advertisers, such as large-scale media platform operators and mobile app operators. Typical functionalities of intermediate advertising service providers include, among others, integrating media resources of and connecting advertisers with advertising publishers; it is thus common and more cost-efficient for enterprises to conduct their marketing activities through intermediate advertising service providers. The advertising industry in the PRC is currently highly fragmented: in 2021, there were more than one million corporates in this industry, with the top five intermediate advertising service providers accounting for approximately 6.4% of the market share in terms of revenue; our Group had a market share of approximately 0.0116% based on our revenue from promotion and advertising services business. We believe that, with (i) our diversified marketing channels and resources and our ability to integrate such resources for the provision of marketing services; and (ii) our technical capabilities which allow us to constantly upgrade our online marketing services through a platform-based approach, we have a competitive edge over and would be able to differentiate ourselves from our competitors in the highly fragmented PRC advertising industry.

Promotion and Advertising Services

In our promotion and advertising business, we seek to assist enterprise advertisers in acquiring and/or reactivating users through planning, launching and/or managing their marketing campaigns. In the light of the emerging opportunities in the internet, mobile technology and interactive entertainment industries, we began to provide traditional marketing and promotion services for, among others, mobile app operators through a combination of marketing channels, including traditional offline channels (such as cold-calls, SMS and brick-and-mortar retail stores) and online channels (such as groups on WeChat and Tencent QQ), leveraging our marketing channel resources and comprehensive network of marketing channel providers amassed and built through our years of operation.

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In 2020, we introduced to enterprise advertisers a new type of online marketing and promotion services, namely advertisement distribution services. As an intermediate advertising service provider, we connect enterprise advertisers (via advertising agents) with mobile app operators, which is done through our SDK, namely RegoAd SDK, working in combination with advertising agents’ platforms and/or applications. To achieve user acquisition and/or reactivation purposes, enterprise advertisers may advertise their products and services on media publishers’ platforms, taking advantage of the media publishers’ resources and connections in the industry; as part of their service package, the media publishers may further distribute the advertisements to other platforms for display to enhance the coverage of the advertising campaign. Under our advertisement distribution services, we serve media publishers and their agents (in their capacity as advertising agents), which engage us to further distribute advertisements from enterprise advertisers for a broader and deeper reach, often without specifying the types of mobile apps on which the advertisements should appear. We facilitate the advertisements to reach their target audience by causing them to be distributed to fitting mobile apps. The advertisements are delivered to the public through advertising space in mobile apps selected by us which we consider to have sufficient engagement and/or have not yet engaged in traffic “monetisation”. Our RegoAd SDK can be embedded in such mobile apps to establish connections with them, and linked up with the advertising agents’ platforms and/or applications to form an advertisement distribution system. Utilising the built-in algorithm models, our RegoAd SDK serves to match the available mobile advertising space in the user interface of mobile apps against appropriate types of advertisements for their users; suitable advertisement contents will be automatically arranged to be displayed in the fitting advertising space offered by the mobile app operators via the distribution channel (formed by our RegoAd SDK working in combination with advertising agents’ platforms and/or applications), taking into account our suggested matching criteria, without the need for any manual operation. The advertisements are placed by advertising agents, including large-scale media platform operators or their agents, which may be minded to employ our services as a further means to increase and, to the largest practicable extent, maximise the advertising reach of their customers (i.e. enterprise advertisers), or their agents. We allow the enterprise advertisers to effectively reach their target audience by arranging for their advertisements to appear in fitting mobile apps. Hence, from the perspective of our customers (i.e. large-scale media platform operators or their agents), we are in essence providing advertisement distribution services, and we shall charge them on the basis of the actual advertising results achieved for the enterprise advertisers. We, at the same time, also enable mobile app operators to generate additional revenue through enhanced utilisation of their resources, i.e. their advertising space; in this sense, we assist the mobile app operators with “monetisation” of the user traffic they have created.

We further extended our promotion and advertising services with the launch of our advertisement placement services in 2021. As an intermediate advertising service provider, we connect enterprise advertisers with their designated media publisher, being typically large-scale media platform operator, and/or its agent by providing services in respect of opening of accounts on the media platforms for placement of advertisements and/or top-up services in respect of our customers’ account, enabling them to place advertisements through their designated media platform. We consider the business relationships we entered into with these

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prominent media platforms one of our key competitive edges. We execute the marketing campaigns for enterprise advertisers by delivering their advertisements to designated media publisher, and the advertisements will then be published on the online platforms operated by the media publisher and become viewable by its users. Under this line of services, we serve, through agents, enterprise advertisers desirous of having their advertisements placed on the specific platform, operated by large-scale media platform operator. We facilitate advertisers to reach their desired advertising platform by integrating media resources and connecting them in a cost-efficient manner. As an authorised service provider of the large-scale media platform, we have the capability to connect our customers, i.e. enterprise advertisers, with it possibly at a lower cost to our customers. The media publisher may grant us rebates, and we, in turn, would normally grant rebates to our customers as incentives for engagement. By consolidating the spending of our customers, we, as an intermediate marketing service provider, would normally be able to obtain a higher percentage of rebates from the media publisher than individual enterprise advertisers themselves could, and we are thus able to normally offer higher rebates to enterprise advertisers if they top up their accounts through us. Accordingly, our customers would be able to lower their advertising costs by engaging us to provide advertisement placement services.

Virtual Goods Sourcing and Delivery Services

We have sought to expand our scope of marketing services beyond promotion and advertising activities. The giving out of complimentary goods and services is considered an effective means for enterprises to incentivise purchases by new customers, and reward and build loyalty among existing customers. To this end, we launched our Rego Virtual Goods Platform in 2017. As part of our marketing and promotion services, we assist enterprises in executing their user acquisition, engagement and/or retention strategies by sourcing a range of virtual goods and arranging for delivery to individual customers of the enterprises. Our platform can be connected to the platforms of our customers and suppliers via API, and enables us to receive orders for virtual goods from enterprises (for consumption by their individual customers as the end users of the virtual goods) and arrange for delivery on a real-time basis, among others. As a to-B virtual goods provider, we connect a large number of virtual goods suppliers across different industries with the enterprises in the value chain, and add value by providing our customers with an integrated offering of virtual goods at lower costs and increased ease of management.

We consider that we are able to enjoy certain price advantage as compared to the prices available to individual enterprises, in view of our larger transaction volume, our well-established and stable business relationships with our suppliers, our sound payment records, and the recurring nature and frequency of our transactions with such suppliers as we have developed a sizeable pool of customers in our virtual goods sourcing and delivery services business. Our suppliers may provide additional discount to us if our order volume reaches a certain level, and several major suppliers of our Group have agreed to supply us with virtual goods at their most favourable rate (i.e. a rate lower than or equal to the rate offered to other customers at the same time) to ensure business relationships can be built and transactions can be conducted with us on a long-term and sustainable basis. Given our favourable procurement

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prices, we had sought to ensure that our virtual goods were offered at prices that were competitive and, where practicable, below the prevailing market prices during the Track Record Period, and our customers had therefore been incentivised to procure virtual goods through our Rego Virtual Goods Platform.

According to the iResearch report, the total market size of China's to-B virtual goods and services industry in terms of GMV increased from approximately RMB79.5 billion in 2017 to RMB151.2 billion in 2021 at a CAGR of 17.4%, and is expected to reach RMB284.6 billion in 2026 at a CAGR of 13.5% from 2021. According to the iResearch Report, the to-B virtual goods and services market in the PRC is relatively fragmented, with over 1000 to-B virtual goods and services providers in 2021; in terms of revenue from sales of virtual goods in 2021, the top five players together accounted for approximately 16.5% of the market share, and the revenue of our Group from our virtual goods sourcing and delivery services business accounted for about 0.3% of the total market size.

Our IT Solutions Services

Apart from marketing and promotion services, we have also been providing IT solutions services, which we consider to be closely associated with our principal marketing and promotion services business. Leveraging our familiarity with the mobile game and software industry gained through provision of marketing and promotion services to mobile app operators over the years, and our knowhow and human resources in the area of research and development acquired while building the requisite systems for our marketing and promotion services business, we tapped into the mobile game and software development and maintenance services business in 2017. Our initial plan was to explore the possibility of developing into a dedicated mobile game operator. Our Directors believe that our provision of IT solutions services is not only a means to attain business diversification through deployment of existing resources, but also serves the following purposes:

- (1) increasing our penetration of the relevant marketing segments, in that we could (a) build closer relationships with market players in the relevant industries through furnishing them with support in other business areas in addition to marketing; and (b) deepen our insights into the relevant industries with a better understanding of the market player's business needs in the area of marketing and promotion; and
- (2) achieving synergies by way of creating opportunities for collaboration with our customers of IT solutions services in broader business areas and hence expansion of our marketing channels.

On account of the above, although our initial business plan to become a mobile game operator had yet to substantively materialise and our business operation in this respect had not been carried out on a full-blown scale during the Track Record Period after careful assessment by our Directors, we hold on to the belief that our provision of IT solution services could be conducive to the growth of our marketing and promotion services business.

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To this end, subsequently in 2019, we started to provide solutions on lottery-related software systems and equipment solutions as another form of IT solutions services, as we have been evaluating and exploring the possibilities to expand our marketing operations in the lottery industry and to convert the widespread lottery retail network in the PRC into our marketing channel. In 2020, we strategically acquired the entire share capital of Xi’an Tiantai, through which we had significantly strengthened our research and development capabilities in respect of lottery solutions, and built business relationships with the provincial WLIACs in 23 provinces, municipalities and autonomous regions in the PRC covering over 97,000 lottery sales points as at the Latest Practicable Date. Xi’an Tiantai is an early mover and innovator of lottery security systems in the lottery solutions market in the PRC, having well-established business relationships with various provincial WLIACs and offering relatively comprehensive IT solutions that cover the various key areas in the business operation of lottery sales points; as a leading lottery solution provider, Xi’an Tiantai could take advantage of its strong brand recognition and proven track records of cooperating with the WLIACs to secure its leading position in the industry, as, according to the iResearch Report, once stable business relationships have been established with lottery solution providers, the PRC lottery authorities are highly likely to continue to cooperate with the chosen service providers on account of the extra administrative and time costs any change in service providers could bring. Xi’an Tiantai has also developed its electronic payment system (一付通), unified certification system (一證通), lottery terminal machines and outlets management system, among others, for the lottery industry, in order to enrich its suite of information systems to answer the business needs of lottery retailers as a means to improve its competitiveness. Our Directors believe the above constitute our major competitive advantages in our provision of IT solutions on lottery-related software systems and equipment. According to the iResearch Report, due to (i) the rapid development of the lottery industry in the PRC; (ii) the innovation of lottery games; and (iii) the adoption of the franchise store model for lottery sales channels in the PRC, the market size of the lottery solutions industry in the PRC is expected to grow from approximately RMB5,115 million in 2021 to RMB7,399 million in 2026 at a CAGR of 7.7%. The lottery solutions market in the PRC is relatively concentrated, with about 150-200 lottery solutions providers in 2021. Among them, the five leading lottery solutions providers accounted for approximately 15.5% of the market share, and based on our revenue from provision of solutions on lottery-related software systems and equipment solutions, our Group had a market share of approximately 0.9%.

Our Directors view our operations in the mobile game and software industry and the lottery industry as illustrations of our market penetration and business partner engagement strategies. As mentioned above, we commenced our provision of mobile game and software development and maintenance services for, among others, business diversification and enhanced market penetration purposes. The subsequent shift of our focus in our IT solutions services business to solutions on lottery-related software systems and equipment is also a major step forward that is expected to engender synergies. In particular, our Directors regard our acquisition of Xi’an Tiantai as a significant move that will set us on track to penetrate the lottery marketing segment and engage in further business collaboration with lottery retail stores. Specifically, the research and development capabilities gained and the network built could lay the foundations for development of our SaaS enterprise marketing service platform

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with the participation of lottery retail stores, and thus help bring our plan to advance and expand our SaaS enterprise marketing service platform to fruition and create the potential for expansion of our retail lottery marketing channels; this serves as an example of how synergies may be generated. Our Directors remain positive that our provision of IT solutions services, as part of our business diversification process and overall marketing services development plan, could power the growth of our marketing and promotion services business and our Group as a whole in the longer term.

Our Financial Performance during the Track Record Period

The overall revenue and net profit of our Group have exhibited continuous and robust growth during the Track Record Period. For FY2019, FY2020, FY2021, 4M2021 and 4M2022, our total revenue amounted to approximately RMB89.4 million, RMB113.0 million, RMB219.5 million, RMB63.8 million and RMB70.7 million, respectively.

During the Track Record Period, our revenue took the form of income generated through provision of services across all business segments of our Group, except for our IT solutions services business where part of our revenue was derived from sale of lottery systems and equipment. Set forth below is an analysis of our revenue recorded during the Track Record Period by business segment:

	For the year ended 31 December						Four months ended 30 April			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
1. Marketing and promotion services										
(A) Promotion and advertising services										
(i) Traditional marketing and promotion services	56,670	63.4	16,749	14.8	4,724	2.2	3,322	5.2	1,768	2.5
(ii) Advertisement placement services	-	-	-	-	6,234	2.8	546	0.9	2,481	3.5
(iii) Advertisement distribution services	-	-	18,500	16.4	107,921	49.2	38,327	60.1	38,161	54.0
(B) Virtual goods sourcing and delivery services	12,408	13.9	45,291	40.1	44,629	20.3	12,964	20.3	15,704	22.2
Sub-total	69,078	77.3	80,540	71.3	163,508	74.5	55,159	86.5	58,114	82.2
2. IT solutions services										
(A) Mobile games and software development and maintenance services	17,861	20.0	7,939	7.0	11,275	5.1	4,501	7.1	7,084	10.0
(B) Solutions on lottery-related software systems and equipment	1,122	1.2	23,987	21.2	44,378	20.2	3,985	6.2	5,476	7.7
Sub-total	18,983	21.2	31,926	28.2	55,653	25.3	8,486	13.3	12,560	17.7
Others <i>(Note)</i>	1,311	1.5	574	0.5	388	0.2	149	0.2	45	0.1
TOTAL	89,372	100.0	113,040	100.0	219,549	100.0	63,794	100.0	70,719	100.0

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Note: Others represent commission generated from the sale of lottery tickets through our offline shops. We tapped into the sales of lottery tickets by acquiring Yuncaitong in 2018, with a view to penetrate into the lottery industry and to explore potential marketing and advertising opportunities through its lottery sales points network. While Yuncaitong retained offline shops after the acquisition, given our primary focus of providing marketing and promotion services in or through the lottery industry, we gradually downsized our offline lottery shops after 2019. As at 31 December 2019, 2020, 2021 and 30 April 2022, we operated 10, 4, 3 and 1 offline shop(s), respectively. During the Track Record Period, we generated commission from the sale of lottery tickets at a commission rate of 7% to 8%.

OUR COMPETITIVE STRENGTHS

We have attained substantial growth in our scale of operation and financial performance during the Track Record Period and we believe the following competitive strengths have contributed to our success:

We have diversified marketing channels and resources to meet different marketing needs of our customers, including, among others, collaborations with prominent media platforms

We have built and accumulated both online and offline marketing channels and resources to cater for different marketing needs of our customers.

We employ offline marketing channels mainly to deliver traditional marketing and promotion services business in our marketing and promotion services business. We are capable of connecting our advertisers to marketing channel providers for telemarketing and print media advertising.

Apart from traditional offline marketing channels, we also have in place well-established online marketing channels and resources. In particular, we have strategically entered into business relationships with prominent media platform operators, by virtue of which we are able to provide enterprise advertisers with easier and more convenient access to the advertisement publication services of such media publishers. We have created another online marketing channel comprising operators of mobile apps which we consider to have sufficient engagement and/or have not yet engaged in traffic “monetisation”. The additions of such online marketing channels have permitted us to expand considerably our service scope in our marketing and promotion services business: we have been able to deliver advertisement placement services through large-scale media platform operators as media publishers since 2021, and advertisement distribution services since 2020 with the aid of our RegoAd SDK where advertisements are distributed to and published through mobile apps.

Online channels are also used for the delivery of our traditional marketing and promotion services in our marketing and promotion services business. According to the iResearch Report, since social network resources are relatively fragmented, it is common and cost-efficient to conduct advertising campaigns through social network with the use of multiple advertising service providers and intermediate advertising agents. For example, we had provided marketing and promotion services through private traffic social network channels during the Track Record Period.

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We believe that we, as an intermediate marketing service provider with diversified marketing channels and resources, are capable of offering marketing service solutions that meet the individual marketing needs of enterprise advertisers effectively through appropriate publishers.

Our business is characterised by a high degree of versatility, as reflected by our capability to strategically shape our development strategy and business operations such that we could adapt well to the external environment

We commenced our operation in traditional telecommunications marketing and promotion businesses in the PRC in 2015, and the provision of marketing services to address corporate needs has been lying at the heart of our business operation ever since. We have made unwavering endeavours to expand our capacities in providing marketing services in accordance with the prevailing market trends and developments, by means of constant upgrades to our business through both organic growth and acquisitions.

Initially providing marketing services for advertisers through traditional offline channels, we have built up our service offerings progressively over the years, taking into account particularly the advertisers’ strong demand for efficiency and reliance on intermediate advertising service providers for better optimisation. Notable additions to the portfolio of marketing and promotion services offered by us during the Track Record Period include online marketing services via large-scale media platform operators, virtual goods sourcing and delivery services, advertisement distribution services, and advertisement placement services.

In addition to the above typical marketing and promotion services, we have also been providing IT solutions services, which our Directors believe are closely associated with and could benefit the long-term growth of our principal marketing and promotion services business. The types of IT solutions services provided by us during the Track Record Period included mobile game and software development and maintenance services and solutions on lottery-related software systems and equipment. Our Directors consider it a means to achieve business diversification through deployment of our existing resources. From a practical perspective, when we provide IT solutions services for such specific industries, we also stand to build closer relationships with the relevant market players and gain deeper insights into the industries, including, among others, the specific marketing needs of the market players in both of their roles as advertisers and publishers; it is therefore a strategy to increase our penetration of the relevant marketing segments, underpinned by our Directors’ understanding of the commercial practice and assessment of the market situation in the PRC.

The adoption of the platform-based approach is another business development direction that has been taken by us over the years, which our Directors believe is also demonstrative of our proactive stance in seeking business expansion. Under our platform-based approach, we have developed and rolled out a series of platforms for specific areas of our business operations, such as our Rego Virtual Goods Platform, RegoAd SDK, and Rego Advertisement Operations and Management Platforms. We eye the practical benefits that such platforms could bring to our customers and suppliers and, in turn, our Group when we introduce such platforms:

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other than promoting our operational efficiency, platform-based operation also favours the conduct of transactions and revenue generation on a sizeable scale and a recurring basis given the ease and convenience our customers and suppliers would enjoy. It is therefore considered a driving force behind our business growth over the years.

Apart from our organic growth, during the Track Record Period, we have also strengthened our operation through acquisitions. In particular, we acquired Yuncaitong and Xi’an Tiantai in 2018 and 2020, respectively, with a view to gain access to the lottery market through their established networks in the lottery industry. The table below sets forth the revenue contribution by organic growth (i.e. revenue contributed by our subsidiaries other than subsidiaries acquired during the Track Record Period) and acquisitions (i.e. revenue contributed by our subsidiaries acquired during the Track Record Period) for the periods indicated:

	For the year ended 31 December						Four months ended 30 April			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Organic growth	87,279	97.7	88,486	78.3	174,108	79.3	59,562	93.4	64,017	90.5
Acquisitions	2,093	2.3	24,554	21.7	45,441	20.7	4,232	6.6	6,702	9.5
Total	89,372	100.0	113,040	100.0	219,549	100.0	63,794	100.0	70,719	100.0

Going forward, we will adhere to our well-developed platform-based approach. Among others, we aim to advance and expand our SaaS enterprise marketing service platform, taking advantage of the rise of the “new retail” concept and the trend of digitalisation in the retail industry in the PRC. According to the iResearch Report, “new retail” refers to the retail model in which companies upgrade and transform the process of production, logistics and sales using advanced internet technology such as big data and artificial intelligence, thereby integrating online services, offline experience and logistics in retail business. For example, offline retailers may use online apps, social media programs or other tools which allow consumers to browse product information online, participate in interactive marketing activities, and even complete product purchases through online channels while shopping in their physical stores, thereby enhancing consumers’ interactions and shopping experience. After in-store purchases and paying on their phones, customers can either pick up products directly, or arrange delivery to their homes as early as 30 minutes after purchase. SaaS solutions play an important role in the new retail industry by providing technical solutions for the transformation of offline and/or online retail enterprises to the new retail model.

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In this regard, our SaaS enterprise marketing service platform is intended to connect offline retail stores in specific industries, to which we will provide a series of marketing and promotion services for their user acquisition, engagement and/or retention purposes including but not limited to the execution of marketing campaigns through our advertisement distribution, advertisement placement and virtual goods sourcing and delivery services. For example, the traffic of offline retail stores connected through our SaaS enterprise marketing platform can be utilised for advertising as a means to monetise such traffic and to provide an extra source of income for the store owners. The SaaS enterprise marketing platform can also be connected to our Rego Virtual Goods Platform, allowing us to provide virtual goods and sourcing delivery services for offline retail store owners to enrich their product offering.

Through our SaaS enterprise marketing service platform, we intend to contribute to the new retail industry, particularly to offline retailers such as lottery store owners, by realising the digitalisation of their operations. We also aim to facilitate retailers such that marketing activities can be more conveniently conducted and their customer traffic can be monetised through advertising, thereby generating new sources of income for them. Our goal is to bring about upgrades in the business operations of the participating offline retail stores, such that they will each have an established customer base that could bring sizeable user traffic.

Overall, our Directors believe that we have developed our business and built our marketing channels and portfolio of service offerings in a way that accords well with the trends and opportunities in the external environment, which underlies the growth in our results of operations over the years.

As a marketing service provider, we are capable of providing IT solutions services to market players in other industries, which could enable us to penetrate the relevant marketing segments and create synergies by setting the scene for collaboration in broader business areas

As part of our business operation that is ancillary to and closely associated with our principal marketing and promotion services business, we have been providing IT solutions services to the market players in other industries since 2017. Our Directors believe that this is a distinguishing feature of our Group as a marketing service provider, and could set us apart from our competitors. Firstly it allows us to deepen our insights into the specific industries (which form individual marketing segments) and gain market intelligence, and also to broaden our industry network by establishing connections with key market players. Secondly, as our customers of IT solutions services grow and prosper, they could experience an expansion in customer base and become useful marketing channels with increased user traffic; leveraging the business relationships we have built with them through our provision of IT solutions services, we could involve them in our business operations of our principal marketing and promotion services business: for example, we may engage them as marketing channel providers for publication and/or distribution of advertisements and other marketing materials, to enable enterprise advertisers to effectively reach the target audience. The provision of IT solutions services to the market players in other industries, through bringing opportunities for collaboration in broader business areas, could therefore generate synergies.

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With the above in mind, we started to provide IT solutions services in 2017 to furnish our customers with technical solutions required for business development purpose and address their research and development needs. During the Track Record Period, we had been providing two types of IT solutions services, namely (i) mobile game and software development and maintenance services; and (ii) solutions on lottery-related software systems and equipment. Our provision of mobile game and software development and maintenance services since 2017 had enabled us to expand our business network in the mobile game industry, which our Directors believe played a part in the growth in our revenue derived from marketing and promotion services business during the Track Record Period. As regards the lottery industry, following the acquisition of Xi’an Tiantai, we had acquired advanced research and development capabilities in respect of lottery solutions and been servicing over 97,000 lottery sales points under the provincial WLIACs in 23 provinces, municipalities and autonomous regions in the PRC as at the Latest Practicable Date, rendering us primed to advance and expand our SaaS enterprise marketing service platform with the participation of lottery retail stores.

The provision of IT solutions services is in essence a mutually beneficial process in that our customer base and marketing channels in our principal marketing and promotion services business could gain further diversity in the end, as a result of the increased market penetration and the further business collaboration opportunities created. Reaping the rewards of enriched marketing resources, we will be in a position to attain joint business growth with our customers.

We offer a wide variety of virtual goods to satisfy different needs of enterprises in acquiring, engaging and retaining individual customers

According to iResearch, the integration of sourcing and delivery of virtual goods and services with marketing services could enable enterprises to implement effective marketing campaigns through various approaches, such as (i) providing complimentary goods and services to incentivise purchases by new users; and (ii) redemption of virtual goods and services as a form of membership privileges to build loyalty among and retain existing customers. In the light of the growing demand from enterprises for a diverse spectrum of virtual goods and services for user acquisition, engagement and/or retention purposes, we source and deliver virtual goods through our Rego Virtual Goods Platform, which can be connected to the platforms of our customers and suppliers via API and enables us to, among others, receive orders for virtual goods from enterprises for consumption by their individual customers (as the end users of virtual goods).

We had made continuous efforts to diversify our portfolio of virtual goods on offer during the Track Record Period. The number of products in the portfolio of virtual goods available on our Rego Virtual Goods Platform increased from four in FY2019 to over 60 in FY2021. We have also been offering packages combining various virtual goods since FY2020. Such virtual goods can be categorised into the major categories of cell phone credits, online vouchers and interests and petrol credit. According to iResearch, online entertainment and telecommunication products, which are the key virtual items in our product offerings, are two of major categories of virtual goods in demand for online users in the PRC.

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Through consolidating orders from our various customers and bulk-purchasing of a wide variety of virtual goods, we seek to make available to enterprises cost-effective incentive tools to answer their specific marketing needs. For FY2019, FY2020, FY2021 and 4M2022, we had generated revenue of approximately RMB12.4 million, RMB45.3 million, RMB44.6 million and RMB15.7 million, respectively from our sourcing and delivery of virtual goods. We believe we would be able to continue to achieve significant and sustainable growth in this business area with our diverse spectrum of virtual goods on offer.

We have advanced information technology capability and are able to develop apposite software development tools and user interfaces in support of our business development

We have developed various software development tools and user interfaces to support our business development.

In 2017, we developed our Rego Virtual Goods Platform for sourcing and delivery of virtual goods. Our platform can be connected to the platforms of our customers and suppliers via API and thus enables us to receive orders for virtual goods from enterprises for consumption by their individual customers (as the end users of the virtual goods), verify their orders, compare prices and inventories of the suppliers connected to our platform, place orders to our suppliers, and arrange for delivery of the virtual goods ordered to the enterprises or their individual customers on a real-time basis.

In 2020, we launched our RegoAd SDK, which expanded our Group’s marketing channels to app operators for mobile advertising, in support of our advertisement distribution services. Our RegoAd SDK possesses algorithm models that facilitate matching of advertisement contents and mobile advertising space. We would agree in advance with the mobile app operators the details of their advertising facilities, such as the available mobile advertising space in the user interface of their mobile apps, the types of advertisements that could be placed, and the formats of advertisements that may be used (for example, pop-up advertisements and open screen advertisements). We will then arrange for our RegoAd SDK to be embedded in the mobile apps of these operators to establish connections between our RegoAd SDK and these mobile apps, such that these mobile apps will be added to our resources pool and their advertising space will become available for connection. When there are advertisement contents from our advertising agents that match the advertisement space offered by the mobile app operators, such advertisement contents may be automatically arranged to be displayed in such fitting advertising space via our RegoAd SDK (working in combination with advertising agents’ platforms and/or applications), taking into account our suggested matching criteria, without the need for any manual operation.

In 2021, we rolled out Rego Advertisement Operations and Management Platforms, which are specific platforms for operating our advertisement placement business and for advertisement management. Such platforms provide our staff with greater ease in accessing and extracting information on the advertisers and publishers, and in data processing and analysis respectively.

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Since 2018, in collaboration with a leading university, we have embarked upon a number of research and development projects in respect of internet traffic-based distribution systems and intelligent information distribution systems utilising and driven by big data, and intelligent management systems for virtual goods-related services.

We have a dedicated team of quality control and research and development professionals who are responsible for, among others, developing the user interface design of our software modules and platforms and monitoring the system services.

For further details of our research and development team, please refer to the paragraph headed “Our Technology and Infrastructure — Our Quality Control and Research and Development Team” in this section. We believe our strong capability on information technology development enables us to stay in line with the evolving market trends and demand and avail ourselves of market opportunities as they present themselves.

We are well-positioned to gain access to the vast and widespread network of lottery sales points in the PRC for the purpose of our marketing and promotional activities, as a result of our provision of IT solutions services in the lottery industry

Our Directors foresee that there would be an enormous growth in the number of lottery buyers in the PRC, which, according to iResearch, had reached approximately 234 million in 2021. Hence, we have been evaluating and exploring the possibility to convert the widespread lottery retail network in the PRC into our marketing channel to take advantage of the user traffic under the latest consumer preferences in the PRC. To gain increased access to individual consumers of lottery products in the PRC, we commenced the provision of lottery products to enterprise customers in 2018 as part of our virtual goods sourcing and delivery services in our marketing and promotion services business, which paved the way for our accumulation of the massive user traffic of such individual consumers in the PRC to extend the reach of our marketing services.

To facilitate our further penetration of the lottery industry as a marketing segment, in 2019, we started to provide solutions on lottery-related software systems and equipment. We supply lottery vending machines and offer management consultancy services to lottery retail stores to enhance their customer base and sales performance. In 2020, we completed the strategic acquisition of Xi’an Tiantai, a PRC company principally engaged in the provision of information security systems and equipment for welfare lottery centres and lottery retail stores in the PRC. The acquisition has enabled us to (i) take advantage of the extensive lottery sales points coverage of Xi’an Tiantai’s goods and services throughout the PRC; and (ii) provide information security systems and equipment connecting lottery retail stores to the China Welfare Lottery Issuance and Administration Centres* (中國福利彩票發行管理中心) at the levels of provinces, municipalities and autonomous regions. According to iResearch, the lottery market in the PRC is expected to exhibit a rapid growth from 2021 to 2026 driven by the innovation of lottery games and the adoption of the franchise model, among others. Accordingly, there is a significantly rising demand for solutions on lottery-related software systems and equipment with advanced encryption technology.

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As an early mover and innovator of lottery security systems in the lottery solutions market in the PRC as reported by iResearch, Xi'an Tiantai possesses strong capabilities in conducting research and development of lottery solutions. As at 30 April 2022, Xi'an Tiantai had 33 members of research and development staff specialising in information technology, all of which possessed relevant academic qualification and industry experience, and three of which are quality assurance staff. Xi'an Tiantai has been awarded the National High New Technology Enterprise Certificate* (高新技術企業證書) since 2019, and various other recognitions in the industry such as China Compulsory Certification (中國強制性產品認證) for its user access management server. It was also the registered owner of 12 utility and design patents and 80 software copyrights as at the Latest Practicable Date. Please refer to the paragraphs headed “Awards and Recognitions” and “Intellectual Properties” in this section for further details. Our competence in provision of solutions on lottery-related software systems and equipment has enabled us to solidify our market position in the lottery solutions industry in the PRC and extend our reach to over 97,000 lottery sales points under the provincial WLIACs in 23 provinces, municipalities and autonomous regions in the PRC as at the Latest Practicable Date, thereby expanding our retail lottery marketing channel.

According to iResearch, the lottery industry in the PRC is strictly regulated by the relevant PRC government authorities. As a prerequisite for participation in the industry as suppliers or service providers, the market players must obtain certain qualifications designated by the relevant regulatory authorities, such as (i) software enterprise certification (軟件企業認定證書) and software product registration certificate (軟件產品登記證書) issued by the Ministry of Industry and Information Technology; and (ii) certification by the China Cybersecurity Review Technology and Certification Centre for the provision of the following services: (a) information security risk assessment services (信息安全風險評估服務); (b) information security emergency response services (信息安全應急處理服務); (c) information system security maintenance services (信息系統安全維護服務); (d) software security development services (軟件安全開發服務); and (e) information system security integration services (信息系統安全集成服務). As a result, the market was relatively concentrated with not more than 200 independent providers of lottery related software systems and equipment in 2021. According to iResearch, once the business relationship has become stable, the relevant PRC government authorities are highly likely to continue to cooperate with the chosen service providers because changing service providers would bring extra administrative and time cost. As a leading lottery solution provider, Xi'an Tiantai has well-established business relationships with various provincial WLIACs and could take advantage of its strong brand recognition and proven track records of cooperating with the WLIACs to secure its extensive service coverage and leading position. Xi'an Tiantai also offers relatively comprehensive IT solutions for the lottery industry which comprises the integrated business security access system (一線通), electronic payment system (一付通), unified certification system (一證通), lottery terminal machines and outlets management system, among others, covering the various key areas in the business operation of lottery sales points. Our Directors believe the above constitute our major competitive advantages in our provision of IT solutions on lottery-related software systems and equipment.

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With our early move and advantage in terms of service coverage, and leveraging our established business relationships with the provincial WLIACs, we believe that we enjoy assured access to a vast and widespread network of lottery sales points in the PRC and are therefore well-positioned to expand our marketing operation in the lottery industry.

We have a dedicated, insightful and visionary management team

We have a dedicated, insightful and visionary management team consisting of experienced participants in the online marketing industry, who possess a high degree of awareness of the market opportunities.

Mr. Chen, our chairman and one of our executive Directors, has over 31 years of experience in the internet, computer software research and development related industry and has been serving as an associate professor in the Department of Computer Science and Technology of Zhejiang University since January 1990. Cognisant of the considerable demand for marketing services in the PRC, Mr. Chen has formulated our business strategy for continuous expansion of individual users reach, which paves the way for rapid development and growth of our marketing and promotion service business.

Mr. Tian and Mr. Zhang, our executive Directors who also serve as our chief executive officer and chief operating officer respectively, have over 28 years of experience in sale and marketing of telecommunication appliances and computer system maintenance and over nine years of experience in sale and marketing of telecommunication value-added services respectively. Under their helmsmanship, we have been successful in expanding our presence into different marketing segments, such as the lottery and mobile game marketing segments, which has enabled us to reach a larger population in the PRC and established ourselves as a fast-growing industry player.

We believe that we will continue to benefit from the industry insights and expertise of our Directors and senior management in our daily operation and business development, and achieve further growth in the industry under their lead.

OUR BUSINESS STRATEGIES

According to iResearch, (i) the market size of the online advertising market in the PRC in terms of advertising spending increased from approximately RMB376.3 billion in 2017 to RMB942.1 billion in 2021, at a CAGR of 25.8%, and is expected to reach RMB1,719.1 billion in 2026, representing a CAGR of 12.8% from 2021; and (ii) the to-B virtual goods and services market in the PRC in terms of GMV increased from RMB79.5 billion in 2017 to RMB151.2 billion in 2021, representing a CAGR of 17.4%, and is expected to grow rapidly to RMB284.6 billion in 2026, representing a CAGR of 13.5% from 2021. As such, to continue to expand our business in the rapidly changing and growing marketing services industry in the PRC and to further the accomplishment of our business objectives, we intend to pursue the following strategies:

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Developing and expanding our online marketing channels and resources for our marketing and promotion services

We will further expand our marketing channels and resources to provide our marketing and promotion services in a more efficient and cost-effective manner.

With the launch of our RegoAd SDK for delivery of our advertisement distribution services in our marketing and promotion services business, we have established business relationships with mobile app operators and distribution agents; matching advertisement contents from enterprise advertisers are automatically distributed to the advertising space in the user interface of mobile apps for display via our RegoAd SDK (working in combination with advertising agents' platforms and/or applications), based on marketing criteria set by us, without the need for any manual operation. Our RegoAd SDK has enabled us to gather more precise information on the effectiveness of the marketing campaigns. With the growing volume of relevant data, we intend to further utilise our information technology capability to enhance our data collection and analysis capability. Meanwhile, we will also strive to improve the user-friendliness of our RegoAd SDK in terms of consistency, data transfer speed, precision of user identification, sensitivity and manoeuvrability. Among others, we plan to develop new applications and/or algorithm in order to build into our RegoAd SDK a series of advanced features and functions, including but not limited to real-time collection of statistical data, centralised processing of data collected from various sources, automatic data classification, matching of advertisements and advertising space with improved precision, forecast of CTRs and conversion rates of advertisements, an enhanced user interface with tailored channels for users accessing via different operating systems, and relevant corporate services and data services platforms. We plan to implement these improvements and developments by expanding our research and development team.

Besides, we intend to further scale up our advertisement placement services business as a specific area of our marketing and promotion services business. Capital will be injected in support of the increases in the number of mobile advertising campaigns we will plan, launch and manage for enterprise advertisers utilising the platforms of media publishers. In particular, we plan to scale up our operation team to support the planning and implementation of advertising campaigns.

In addition, we will expand our research and development team and work on the efficiency of our advertisement placement system, with specific research and development work to be undertaken to achieve mass production of advertising materials and placement schemes, and application of artificial intelligence for complete and uninterrupted monitoring of advertising campaigns and collection of real-time performance data (such as advertisement CTRs and conversion rates), automatic pricing, and automatic control of campaign schedule, such that the conversion rates could be maximised at minimum costs.

In our advertisement placement services business, the media publishers, being primarily large-scale media platform operators, generally require that enterprise publishers set up accounts with them and maintain funds in the accounts in order to secure advertisement

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publication services; we, as intermediate marketing service providers, would provide account top-up services for the enterprise advertisers and arrange for their accounts to be credited. To ease the enterprise advertisers’ cash flow pressure, we would typically make payments to the designated media publisher or its agent for account top-up purpose on a prepayment basis, i.e. before receiving funds from our customers. As more mobile advertising campaigns are launched, there will be a corresponding increase in the amount of such prepayments we will need to make to the media publishers and/or their agents, and we plan to allocate more resources for meeting such prepayment requirements.

We will apply approximately [REDACTED]% of the [REDACTED] from the [REDACTED] to support the development of our SDKs and the expansion of our advertisement placement services business for the three years ending 31 December 2024, including [REDACTED]% for expanding our research and development team and operations team, [REDACTED]% for meeting relevant property rental expenses, and [REDACTED]% for the prepayments to the media publishers and/or their agents. We shall meet any additional expenses to be incurred in connection with the above activities with our internal resources.

Further developing and expanding our supplier base and types of virtual goods on offer

Our Rego Virtual Goods Platform enables enterprises to source and deliver to their individual customers a vast array of virtual goods for user acquisition, engagement and/or retention purposes as part of their marketing campaigns. The number of products in the portfolio of virtual goods available on our Rego Virtual Goods Platform increased from four in FY2019 to over 60 in FY2021. According to the iResearch Report, the robust growth in the to-B virtual goods and services industry in the PRC in terms of GMV will continue during the period from 2021 to 2026 at a CAGR of 13.5%, and we see ample room for expansion of our scale of operation in our virtual goods sourcing and delivery services business. We will strive to continue to enrich our product offerings in this regard. As a general practice, we are required to make prepayments to our suppliers to cover the costs of virtual goods, and as our portfolio and inventory of virtual goods increase in size, there will be a corresponding increase in the amount of prepayments we will need to make to our suppliers.

We will allocate approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for sourcing and delivering through our platform an enlarged portfolio of virtual goods for the three years ending 31 December 2024, including [REDACTED]% for expanding our research and development team, operations team and commerce team, [REDACTED]% for meeting relevant property rental expenses, and [REDACTED]% for prepayments to relevant suppliers of virtual goods. We shall meet any additional expenses to be incurred in connection with the above activities with our internal resources.

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Acquiring companies in marketing and related industries

We plan to acquire the controlling interest (i.e. more than 50% of the equity interest) in company(ies) in marketing and related industries in the year ending 31 December 2023 as a means to promote our principal marketing and promotion services business and the user traffic of our platforms, so as to capture the market opportunities brought about by the increasing demand for the types of marketing services we provide in the PRC.

The acquisition target(s) shall be company(ies) principally engaged in the provision of

- (1) advertisement placement and/or advertisement distribution services, with complete management, research and development and operations teams, sound research and development capabilities and/or a sizeable customer base and turnover, so as to strengthen our capacity to deliver the relevant services.

Specific examples include

- advertising agents and channel agents through which we can gain direct and increased access to enterprise advertisers and marketing channel providers, particularly in the lottery industry and the mobile game and software industry, being two of the major marketing segments targeted by us for growth in our marketing and promotion services business; and
- distribution agents that have established business relationships with mobile app operators with well-established customer base and private traffic, which may serve as our suppliers in our advertisement distribution business and provide opportunities for our further growth in this business area.

We expect that the acquisition target(s) shall each have (i) a staff of sufficient size and technical research and development capabilities that should include university degree holders; (ii) an operating history with stable business relationships with enterprise advertisers, media publishers or mobile app operators (as the case may be); and (iii) requisite information technology systems or sound research and development capabilities in the areas concerned. In addition, the acquisition target(s) should each have a stable turnover with a net profit of not less than RMB3 million (for advertising agents and channel agents) or RMB5 million (for distribution agents) recorded for the most recent financial year. As confirmed by iResearch, as at the Latest Practicable Date, there were at least 1,000 operators in the market that matched such acquisition criteria; and/or

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- (2) virtual goods sourcing and delivery services, with distinctive supply chains and a sizeable enterprise customer base, such that we could increase our customer reach and market share and improve the diversity of virtual goods we are able to supply.

In particular, it is part of our business plan to extend our virtual goods sourcing and delivery services (which are currently mainly offered to enterprises with a relatively larger operating scale) to offline retail stores for empowerment purpose. Hence, the acquisition target(s) should ideally be capable of sourcing and/or delivering virtual goods that are apt for offline retail stores from the operational and sale perspective.

We expect that the acquisition target(s) shall each have (i) a staff of sufficient size and technical research and development capabilities that should include university degree holders; (ii) an operating history with an established customer base; and (iii) requisite information technology systems or sound research and development capabilities in the areas concerned. In addition, the acquisition target(s) should each have a stable turnover with a net profit of not less than RMB3 million recorded for the most recent financial year. As confirmed by iResearch, as at the Latest Practicable Date, there were at least 40 operators in the market that matched such acquisition criteria.

As at the Latest Practicable Date, we had neither entered into any letter of intent or agreement for any such acquisition nor identified any definite acquisition target.

We shall set aside approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for the acquisition(s) of the above company(ies) and to support its(their) subsequent operations during the year ending 31 December 2023. We shall meet the remaining amount of expenditure expected to be incurred in connection with the implementation of this business strategy with our internal resources and/or the then available external financing options.

Developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels

We shall actively pursue further development and expansion of the coverage of our marketing and promotion services business. One specific endeavour to be undertaken by us is to continue to advance and expand our SaaS enterprise marketing service platform, which is intended to connect offline retail stores in specific industries to form a network that could ultimately be transformed into a national marketing service system with full coverage various parts of the PRC. Once fully developed, our SaaS enterprise marketing service platform will bring about upgrades in the business operations of the offline retail stores connected and, at the same time, constitute a vast channel with sizeable user traffic for us to conduct our marketing and promotion services business (including both online and offline marketing activities).

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According to the iResearch Report, the market has already seen SaaS technology being leveraged as a marketing service tool in different industries. For example, a smart food service provider in the PRC offers SaaS solutions for businesses through its social media program and public accounts, which in themselves constitute an advertisement publishing platform. Similarly, a self-service equipment solutions provider in the PRC uses its SaaS platform to connect self-service equipment operators with individual consumers through its payment service, thereby creating a traffic pool that can be monetised for advertisement purposes and establishing a circulation of business between operators, consumers and advertisers. It was further advised by iResearch that, there were approximately 600 to 800 new retail SaaS companies in the PRC in 2021 and the number of market players is expected to further increase in the future. Further, iResearch advised that, the concentration level of the domestic new retail SaaS industry is relatively low without any specific leading enterprise which offers full business coverage and companies with competitive advantages on, among other things, technology capability and/or access to customers’ network tend to extend their value-added services to capture a higher market share in the industry.

Leveraging the access we have gained to the vast network of lottery sales points in the PRC, our SaaS enterprise marketing service platform will mainly target lottery retail stores. By connecting the lottery sales points through our SaaS platform, we will be able to consolidate the private traffic of the individual lottery sale points and thereby create a community among a large number of lottery buyers. Operators of the lottery sale points would benefit from the use of our SaaS platform given that (i) it would provide them with an efficient means for customer management and communication, as well as marketing and promotion to be conducted among the lottery buyers; (ii) we will provide other value-added services to the lottery sales points through our SaaS platform, which may, for example, serve as an online product sales channel among the lottery buyers; and (iii) lottery sales point operators may monetise their private traffic through the network created by our SaaS platform to generate new sources of income from advertising and product sales on the platform. We may also design and insert bespoke user functions to enhance the customers’ experience, such that user engagement and satisfaction can be promoted and user traffic can be increased. To the best of our knowledge and belief, as most of the lottery sale points have a relatively small operating scale, they do not possess the necessary technical knowledge and connections to establish a similar platform. Given our access to the vast network of lottery sales points, our technical capabilities and the potential benefits of our SaaS platform to the lottery sales point operators, we are positive that the lottery sales points are likely to agree to use our SaaS platform. As at the Latest Practicable Date, we were developing prototypes of the business communication app with bespoke user functions that the offline retail stores could use for mass marketing and promotion, for test launch purpose.

Our Directors consider that we are well-placed to build and run our SaaS enterprise marketing service platform, given our connections in the lottery industry in the PRC. We have established business relationships with relevant market players through the provision of solutions on lottery-related software systems and equipment since 2019. In 2020, we strategically acquired the entire share capital of Xi’an Tiantai, a provider of information security systems and equipment for provincial WLIACs and lottery retail stores in the PRC

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with advanced research and development capabilities in respect of lottery solutions, thereby building business relationships with the provincial WLIACs in 23 provinces, municipalities and autonomous regions in the PRC covering over 97,000 lottery sales points as the Latest Practicable Date. Our Directors expect that our strong information technology capability will also serve as an enabler of our plan to build and run our SaaS enterprise marketing service platform.

We believe that our SaaS enterprise marketing service platform development plan will be in line with the rise of “new retail” in the PRC. According to the iResearch Report, “new retail” refers to the retail model that companies, relying on the Internet, upgrade and transform the process of production, circulation and sales using advanced technology, thereby reshaping the industry structure and ecosystem, and deeply integrating online services, offline experience and modern logistics; it is not only an empowerment of offline retail stores, but also an adjustment of the online retail structure, where the introduction of more precise and high-quality traffic brings back momentum to online retail. According to the iResearch Report, there were up to 150,000 welfare lottery sales points in the PRC in 2021, and they are among the categories that can benefit from new retailing. By involving the lottery retail stores in our SaaS enterprise marketing service platform, we aspire to spur the “digitalisation” of lottery retail stores, i.e. the process of moving to a digital business, where digital technologies are used to enhance their business model that could potentially generate new revenue and value-producing opportunities. With digitalisation in sale, marketing and other relevant operations of lottery retail stores, we serve to refine, streamline and/or expand their business operations and enrich their scope of offerings and income streams. Specifically, in terms of customer management, the SaaS model encompasses the use of online channels such as apps and social media programmes to conduct membership management, marketing campaigns and customer services, and the user portrait data available permits more precise marketing; as regards store management, under the SaaS model, online systems will be used to facilitate inventory analysis, in-store payment and staff management, and service quality can be improved based on the operating data stored. We will therefore be able to contribute to the overall industry upgrade and transformation through introducing the SaaS model to lottery retail stores.

As mentioned above, lottery retail stores will be our focus in the initial phase of our SaaS enterprise marketing service platform development plan. Building on our experience in the lottery industry, we will then expand into other sectors such as the tobacco industry and the fast moving consumer goods industries in future years. Our goal is to replicate our success in the lottery industry and incorporate the retail stores in such other industries into the network of our SaaS enterprise marketing service platform, such that we could bring the benefits of the SaaS model to a broader spectrum of retail store operators and extend the reach of our marketing channels into such industries.

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The advancement and expansion of our SaaS enterprise marketing service platform is expected to be a significant move both to further our efforts to adopt the platform-based approach in the development of our marketing and promotion services business, and to empower offline retail stores, integrating and building upon our existing marketing channels and resources. Our Directors believe that following the complete development of our SaaS enterprise marketing service platform, we could evolve into a provider of marketing solutions that not only offers added value to our customers in marketing and sale but also facilitates the overall business development of our customers. It is envisaged that our SaaS enterprise marketing service platform and the relevant retail store network created, with the user traffic generated as a whole, will become part of our major marketing channels and core future growth drivers. Further, our Directors believe that our SaaS enterprise marketing service platform would create additional synergies with our existing business. For example, we may connect advertising spaces on the SaaS platform with our RegoAd SDK and utilise the user traffic of our SaaS platform for distributions of advertisements from enterprise advertisers. We may also offer virtual goods sourcing and delivering services to the lottery sale point operators by connecting our SaaS platform with our Rego Virtual Goods Platform. Hence, this strategy, if successfully implemented, will in itself bring about a major upgrade in our business, paving the way for our long-term growth.

We commenced the development of our SaaS enterprise marketing service platform in March 2021. As at 30 April 2022, we had established a team of 11 members with a focus on the design and development of the SaaS platform and the employees benefits expense incurred therefrom during the Track Record Period amounted to approximately RMB2.8 million. We intend to designate approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for the advancement and expansion of our SaaS enterprise marketing service platform for the three years ending 31 December 2024, including [REDACTED]% for expanding our research and development team and operations team, and [REDACTED]% for meeting relevant property rental expenses. We shall meet any additional expenses to be incurred in connection with the above activities with our internal resources.

OUR BUSINESS MODEL

During the Track Record Period, we operated two main business segments, namely:

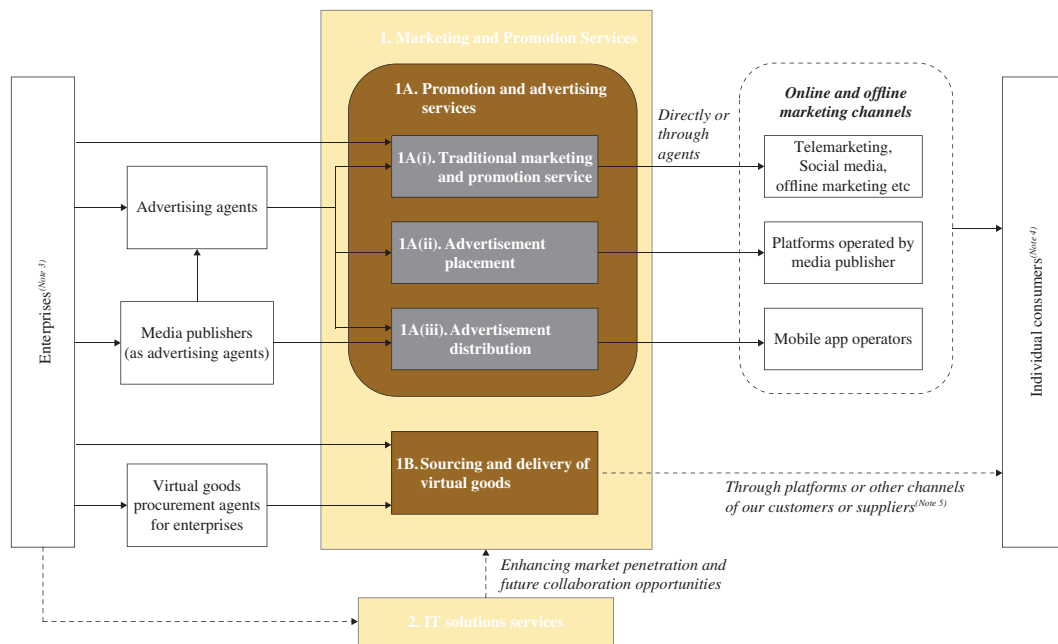
- (1) marketing and promotion services, which include
 - (1A) promotion and advertising services, where we assist enterprise advertisers in acquiring and/or reactivating users through different services including (i) traditional marketing and promotion services; (ii) advertisement placement services; and (iii) advertisement distribution services; and
 - (1B) virtual goods sourcing and delivery services, where we source virtual goods for enterprises and deliver the virtual goods to them for their user acquisition, engagement and/or retention purposes.

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- (2) IT solutions services, for the purposes of business diversification, enhanced market penetration and further business collaborations in broader business areas, where we provided (2A) mobile game and software development and maintenance services and (2B) solutions on lottery-related software systems and equipment during the Track Record Period.

Marketing and promotion services constitute our core business segment and contributed over 70.0% of our revenue throughout the Track Record Period, where we primarily act as an intermediate marketing services provider and assisting enterprise advertisers to deliver their marketing and promotion campaigns to individual consumers.

Set forth below is a diagram which illustrates the position of our Group in the value chain of the marketing industry in the PRC and our overall business model:



Notes:

1. The shaded boxes denote the roles and operations of our Group in different business segments and sub-segments.
2. “→” denotes the flow of marketing and promotion services from enterprise advertisers to the individual consumers.
3. Enterprises include enterprises which are desirous of (i) advertising and promoting their products or services (as to our promotion and advertising services); (ii) procuring virtual goods for customer retention (as to our virtual goods sourcing and delivery services); and (iii) sourcing software and/or equipment (as to our IT solutions services).
4. Individual consumers refer to the target audience of our advertising and promotion services and end users of virtual goods.
5. We primarily provide “to-B” virtual goods sourcing and delivery services to enterprises, who are responsible for arranging onward delivery of the virtual goods to the individual consumers. The virtual goods are either delivered to the enterprises (or their agents) which will arrange onward delivery to their individual consumers or directly from the virtual goods suppliers to individual consumers at the instruction of the enterprises (or their agents).

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Our Value in the Supply Chain of Advertising Services

As an intermediate advertising service provider, we primarily add value to the supply chain of advertising services by integrating media resources of and connecting advertisers with advertising publishers, allowing advertisers to conduct marketing activities in a more cost-efficient manner. We started off with providing traditional marketing and promotion services to enterprise advertisers who may not have access to a wide range of marketing channels. With our established networks, experience and resources in conducting marketing and promotion activities, we serve to assist the advertisements and promotion of our customers to reach their target audience.

In order to provide additional value to our customers and suppliers, we strive to elevate the functionalities of our services as an intermediate advertising service provider through a platform-based approach. For example, our advertisement distribution services facilitate the matching between available mobile advertising spaces in the user interface of mobile apps against appropriate types of advertisements for their users. We, as an intermediate advertising service provider, provide the required technology, expertise and resources to the value chain of the advertising industry, allowing enterprise advertisers to effectively reach their target audience by arranging for their advertisements to appear in fitting mobile apps. At the same time, we enable mobile app operators to generate additional revenue through enhanced utilisation of their resources in the form of advertising space; in this sense, we assist the mobile app operators with “monetisation” of the user traffic they have created.

Similarly, we provide advertisement placement services to enterprise advertisers by providing account opening services with their designated media publisher for placement of advertisements and/or top-up services in respect of our customers’ accounts with the media publisher, enabling them to place advertisements through their desired media platform in a more cost-efficient manner, given our capability to connect with large-scale media platform operators as their authorised service provider possibly at a lower cost. The values of our marketing and promotion services are further enhanced with our provision of IT solutions services as it allows us to further penetrate into specific industries where our customers operate in and thereby better optimising our marketing and promotion services. In addition, our virtual goods sourcing and delivery services add value by providing our customers with an integrated offering of a range of different virtual goods at lower costs and increased ease of management through our Rego Virtual Goods Platform.

With the evolution in the services provided by us over the years, we continued to enrich our role and value in the supply chain of the advertising industry, which we believe is one of the major drivers of our revenue growth during the Track Record Period.

1. Marketing and Promotion Services

In the value chain of the advertising industry in the PRC, we play the role of an intermediate advertising service provider. According to the iResearch Report, as advertisers place a greater focus on online advertising and as a result of rapid technological developments, intermediate advertising service providers are becoming increasingly important and constitute

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a fast-developing segment in the market. Core values of intermediate marketing service providers include resource connection, optimisation and analytics, utilisation of media publishers, and the prepayment ability. As most advertisers only have limited in-house optimisation capability, they are shifting reliance from direct procurement of marketing services to procurement through intermediate marketing service providers, which are equipped with better technology, expertise and data sufficiency to perform optimisation for the advertisers.

Our marketing and promotion services can be broken down into two sub-segments, all provided with a view to enabling user acquisition, engagement and/or retention for advertisers, namely (1A) promotion and advertising services; and (1B) virtual goods sourcing and delivery services.

1A. Promotion and Advertising Services

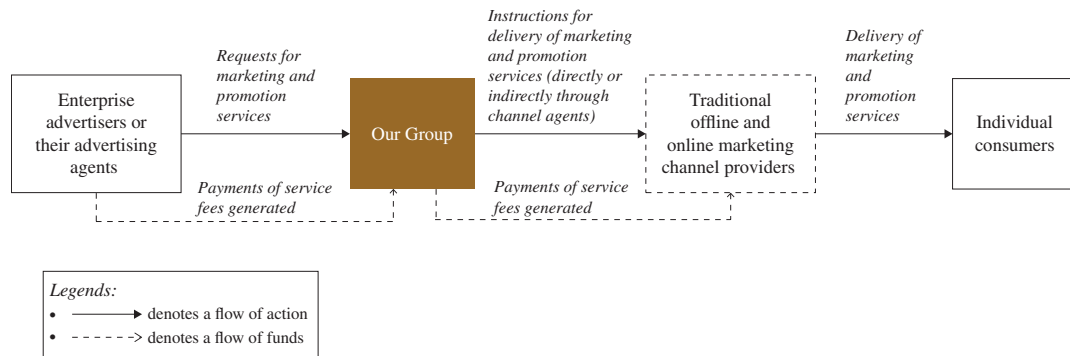
In our promotion and advertising services business, we seek to assist enterprise advertisers in acquiring and/or reactivating users through planning, launching and/or managing their marketing campaigns. During the campaign planning stage, we may identify and set the target audience and target media of the campaigns after discussions with enterprise advertisers and/or their marketing agents, taking into account their individual circumstances and needs. As we launch the campaign, we may arrange for the advertisements and/or other marketing materials to be posted and/or published, with a view to increasing the publicity that enterprise advertisers could gain. During the Track Record Period, promotion and advertising services offered by us include (i) traditional marketing and promotion services; (ii) advertisement placement services; and (iii) advertisement distribution services.

1A(i) Traditional Marketing and Promotion Services (Delivered through Marketing Channel Providers)

In the light of the emerging opportunities in the internet, mobile technology and interactive entertainment industries, we expanded into the pan-entertainment market and began to provide traditional marketing and promotion services to enterprise advertisers and/or their advertising agents. At the request of enterprise advertisers and/or their advertising agents, we may design marketing campaigns, and arrange for execution of the campaigns through selected and integrated marketing channels, including traditional offline channels (such as cold-calls, SMS and brick-and-mortar retail stores) and online channels (such as groups on WeChat and Tencent QQ), directly or via channel agents, leveraging our marketing channel resources and comprehensive network of marketing channel providers amassed and built through our years of operation. For example, we have arranged to place promotional materials of our customer which is an audiobooks platform operator on an online reading platform. We have also promoted mobile apps and online entertainment platforms through promotion activities and posting of promotion materials at physical stores. Depending on the requests from our customers and the availability of human resources, our marketing and promotion services maybe delivered directly by our staff or we may engage third-party channel agents to deliver such services.

BUSINESS

Set forth below is a diagram which illustrates the business model of our traditional marketing and promotion services business:



Business Flow and Key Participants

The key participants and their interactions with our Group in the business flow of our traditional marketing and promotion services business are as follows:

Enterprise advertisers and their advertising agents (as our customers)

Our customers in this business sub-segment are enterprise advertisers desirous of advertising and promoting their products or services for user acquisition and/or reactivation purposes, or their advertising agents. Our customers range from small enterprises to subsidiaries of listed companies. The products and services featured in our traditional marketing and promotion services during the Track Record Period mainly fell within the categories of games and entertainment, and utility and lifestyle. Among others, we had been providing such services for mobile app operators during the Track Record Period.

Marketing channel providers and channel agents (as our suppliers)

Our traditional marketing and promotion services provided may take the form of social media marketing (conducted through, for example, groups on WeChat and Tencent QQ, by external operators independent of such social media platforms and our Group which possessed such online marketing channel resources and would arrange for marketing and promotion materials relating to the enterprise advertisers and/or their products and services to be published in the chat groups utilising their available resources as appropriate), or telemarketing (such as cold-calling and SMS marketing). Offline marketing services (such as publication and posting of marketing materials at brick-and-mortar retail stores) may also be provided. Hence, our suppliers in these business areas may include both online and offline marketing channel providers.

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Apart from direct engagement of online and offline marketing channel providers, we may engage agents with relevant expertise and/or experience in respect of specific local markets to delegate the performance of traditional marketing and promotion services to suitable marketing channel providers, in order to maximise our cost efficiency and the effectiveness of the marketing campaigns. Hence, our suppliers in this business area may also include agents of marketing channel providers, which are referred to as “channel agents”.

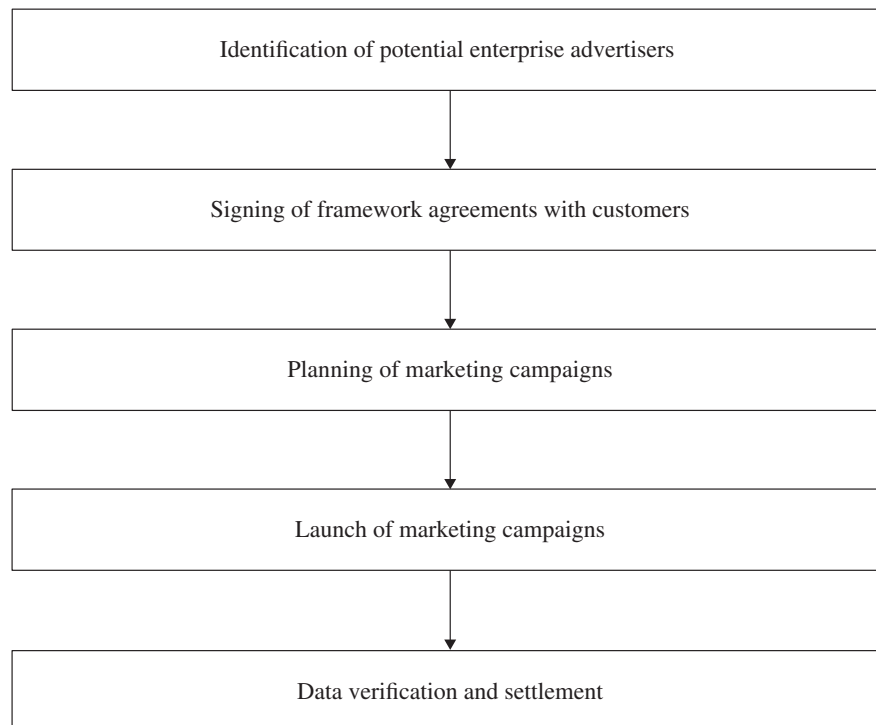
We had a comprehensive supplier network during the Track Record Period, which comprised over 50 online and offline marketing channel providers and channel agents in different major cities in the PRC.

Individual customers

We connect enterprise advertisers to individual consumers through selected marketing channels with a view to ensuring that the advertisements and/or marketing materials and the underlying messages can be effectively delivered to the target audience, and the goals of user acquisition and/or reactivation can be achieved.

Key Operating Processes

The following flowchart outlines our key operating processes in respect of delivery of traditional marketing and promotion services:



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Identification of potential enterprise advertisers

We seek to identify potential enterprise advertisers in the market that are desirous of advertising and promoting their products or services for user acquisition and/or reactivation purposes. We mainly source our customers through business referrals and/or connections.

Signing of framework agreements with customers

After reaching agreement on the terms on which our traditional marketing and promotion services should be provided, as a general practice, we entered into binding framework agreements with enterprise advertisers or their advertising agents as our customers in respect of our traditional marketing and promotion services during the Track Record Period.

Terms of Framework Agreements with Our Customers

Pursuant to the framework agreements, our customers would inform us of, and generally provide us with, the advertisement contents to be distributed. The salient terms of these framework agreements are summarised as follows:

Term:	A term of a few months to two years in general with no renewal mechanism. If any party is in breach of any terms of an agreement, it must take remedial actions within a period specified by the other party, failing which the other party may terminate the agreement with immediate effect.
Service scope:	We shall provide traditional marketing and promotion services to our customers. The framework agreements generally do not specify any performance target.
Responsibilities of our customers:	Our customers shall ensure all advertisement contents provided are accurate, not inappropriate and will not violate any applicable laws, regulations or rights of third parties.
Responsibilities of our Group:	For services provided under the CPA pricing model, we shall not cause to be generated any false performance data from the advertisement. We shall not modify or otherwise interfere with any programming files or codes of our customers where they are provided pursuant to the terms of the agreement.

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- Payment arrangements:
- Service fees receivable by us are recognised monthly.
 - We generally require our customers to make payment of our invoices within 10 working days upon receipt of our invoices.

Our Directors confirm that our Group had not been involved in any breach of such framework agreements which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

Planning of marketing campaigns

At the marketing campaign planning stage, we may identify and set the target audience and target media of the campaigns after discussions with the enterprise advertisers and/or their advertising agents, taking into account their individual circumstances and needs. For enhanced delivery of our traditional marketing and promotion services, we may collect further information relating to the enterprise advertisers such as their corporate background and current market position, and in particular, details of their goods and/or services to be promoted, target consumer groups and marketing goals (the “**Relevant Marketing Information**”), for our selection and determination of appropriate marketing channels and timing and duration for performing corresponding services.

Launch of marketing campaigns

As we launch the marketing campaigns, we may arrange for the advertisements and/or other marketing materials to be posted and/or published.

Forms of Services

The traditional marketing and promotion services we provide to enterprise advertisers may take one or more of the following forms:

- social media marketing, i.e. the advertising of products, services, or brands using the internet, by means of attracting the interest of groups of people who may discuss or make suggestions about them online; social media marketing may be conducted through, for example, groups on WeChat and Tencent QQ;
- telemarketing, i.e. the advertising of goods or services by phone, such as cold-calling and SMS marketing; and
- offline marketing services, such as publication and posting of marketing materials at brick-and-mortar retail stores.

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Taking into account the Relevant Marketing Information, our customers’ preference and/or service fees previously quoted by our suppliers, we may engage suitable suppliers in connection with the marketing campaigns, which may be online marketing channel providers, offline marketing channel providers, agents of media publishers and/or agents of other marketing channel providers. Our suppliers will then distribute the advertisement contents via various marketing channels (where they themselves are marketing channel providers), or delegate such distribution services to suitable marketing channel providers (where our suppliers are channel agents).

Terms of Framework Agreements with Our Suppliers

As a general practice, we entered into building framework agreements with marketing channel providers or channel agents as our suppliers in respect of our traditional marketing and promotion services during the Track Record Period. Pursuant to the terms of the framework agreements, we generally provide our suppliers with the advertisement contents to be distributed. The salient terms of these framework agreements are summarised as follows:

Term:	A term of approximately one to two years in general with no renewal mechanism. If any party is in breach of any terms of an agreement, it shall take remedial actions generally within five to 10 working days upon request of the other party, failing which the other party may terminate the agreement with immediate effect.
Service scope:	Our suppliers shall provide advertisement contents distribution services to us. The framework agreements generally do not specify any performance target.
Responsibilities of our Group:	We shall ensure all advertisement contents provided are accurate, not inappropriate and will not violate any applicable PRC laws, regulations or rights of third parties.
Responsibilities of our suppliers:	For services provided under the CPA pricing model, our suppliers shall not cause to be generated any false performance data from the advertisement.

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- Service fees payment arrangements:
- Service fees payable by us are recognised monthly.
 - We generally make payment of invoices issued by our suppliers within 10 working days upon receipt of such invoices.

Our Directors confirm that our Group had not been involved in any breach of such framework agreements which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

Data verification and settlement

We invoice our customers for the services provided after verifying performance data with the relevant enterprise advertisers, advertising agents, marketing channel providers and/or channel agents.

In respect of our major types of traditional marketing and promotion services, we charge our customers, i.e. enterprise advertisers or their advertising agents, primarily based on one or more of the following pricing models, depending on the agreement reached between our Group and each customer based on its individual circumstances, and our revenue is recognised on a gross basis:

- the cost-per-action (CPA) model, where advertising is paid on the basis of each action, such as download, installation or registration, of the individual consumers (as mobile device users). Such actions normally require a higher degree of personal involvements from the individual consumers, through experiencing or using the advertised products or services by activating/reactivating the products or services or registering as users.

Under the CPA model, we charge our customers upon the agreed actions being performed, which may, for example, be measured by the number of claims for the featured benefits made by individual consumers or number of user accounts registered on online platforms as a result of the marketing campaigns. Our revenue is calculated based on the total numbers of qualified actions done by individual consumers and the agreed rates per action;

- the cost-per-sale (CPS) model, where advertising is paid on the basis of the sales amount as a result of the advertising.

Under the CPS model, we charge our customers once sales are generated from the enterprise advertisers' products or services being promoted. Where our customers are advertising agents of enterprise advertisers, we may charge the advertising agents after they receive payment from enterprise advertisers. Our

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revenue takes the form of an agreed percentage of the total amount of sales generated from the products or services promoted, or an agreed percentage of the total amount of payment(s) received by advertising agents (as our customers) from the enterprise advertisers; and

- fixed-rate payments, where we charge our customers based on the agreed fixed fees per unit and the numbers of specific service items delivered, such as the number of brick-and-mortar retail stores where marketing materials have been posted.

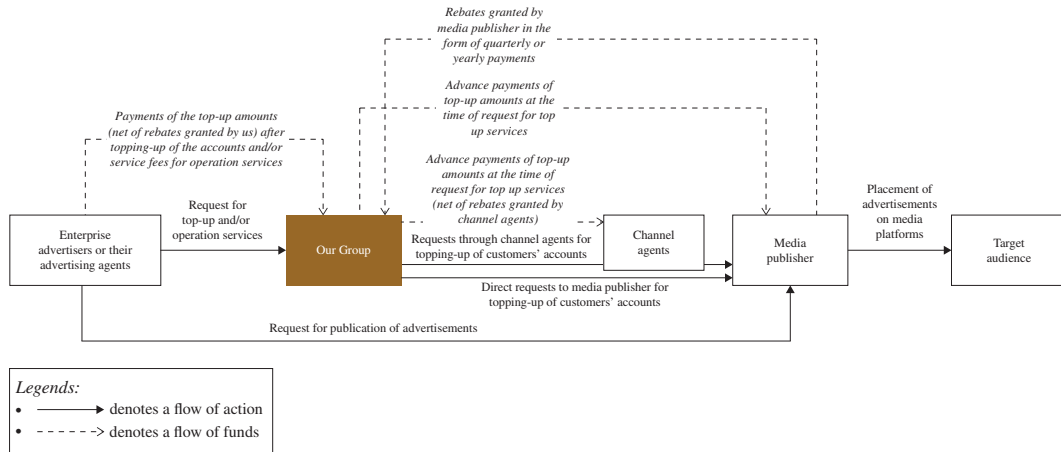
1A(ii) Advertisement Placement Services (Delivered through Media Publishers)

As an authorised service provider of the designated media publishers (being typically large-scale media platform operator), we connect enterprise advertisers with such media publisher by providing, directly or via agents, accounts opening services with media publisher for placement of advertisements and/or top-up services in respect of our customers' accounts maintained with the media publisher, which would be used for the placement of their advertisements on such media platform. After receiving orders from our customers and making certain the advertisement contents they would like to place on the media platform, we would proceed to provide the requisite account opening services and/or top-up services, such that there would be a sufficient balance in each relevant customer's account maintained with the media publisher for acquiring their advertisement publication services. Through this, we seek to ensure that advertisements could be arranged to be displayed on the media platforms as and when needed by our customers.

The designated media publisher or its channel agents generally require us to make payment on behalf of our customers in advance upon request for top-up services, while we would subsequently invoice and charge our customers on a monthly basis for our services provided. Such payment arrangement, which is otherwise not available if our customers top-up their accounts themselves, allows better flexibility in our customers' liquidity management. We also normally offer our customers a higher percentage of rebates than the media publisher would offer to them directly, as we, by consolidating the spending of a mass of enterprise advertisers, would normally be able to obtain a higher percentage of rebates from the media publisher than individual enterprise advertisers themselves could. Hence, our customers would be able to achieve savings on advertising costs, which provides an additional incentive for their employment of our advertisement placement services. In addition, we provide value-adding customer support services, such as assistance in applying for advertisement placement and follow-up in relation to technical issues encountered. Commencing from September 2021, we also provide operation services to our customers such as advising on advertisement placement strategy to optimise placement performance and/or preparing the advertising materials to be placed on the media platforms. Our Directors believe that all of the above advantages have collectively incentivised our customers to open accounts with the designated media publisher and/or top-up their accounts maintained with the media publisher through us.

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Set forth below is a diagram which illustrates the business model of our advertisement placement services business during the Track Record Period:



Business Flow and Key Participants

The key participants and their interactions with our Group in the business flow of our advertisement placement services business are as follows:

Enterprise advertisers and their advertising agents (as our customers)

Our customers of advertisement placement services are enterprise advertisers (or their advertising agents) which intend to promote or advertise their products or services through the placement of advertisement on online media platforms.

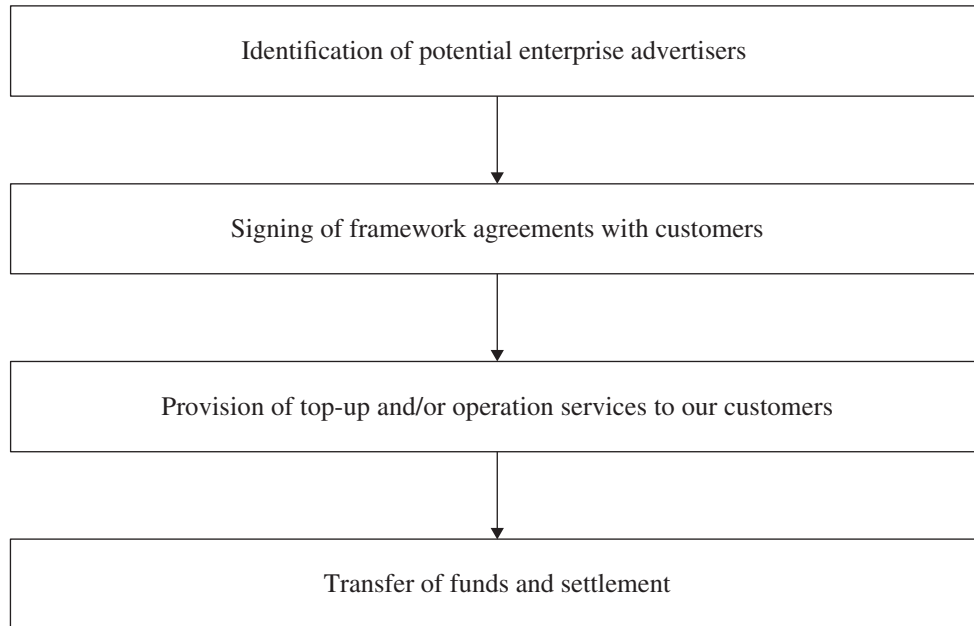
Media publishers and their channel agents (as our suppliers)

For our advertisement placement services, our major delivery channels are primarily large-scale media platform and our suppliers mainly include the designated media publisher (being operator of the media platform) and its channel agents. The advertisements of the enterprise advertisers will be delivered to the media publisher and published on its platforms and become viewable by its users. In view of our experience, resources and operating scale in the marketing industry, we are able to satisfy the entry requirements set by the media publisher, such as revenue and capital size tests, and pass the review process. Thereafter, we are able to enter into authorisation agreements with the prominent media platform operator, thereby securing our collaboration. These authorisation agreements are generally renewable for an indefinite number of times. We keep close contact with the media platform operator to understand its expectations and requirements for the renewal of such authorisation agreements.

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Key Operating Processes

The following flowchart outlines our key operating processes in respect of our advertisement placement services:



Identification of potential enterprise advertisers

We mainly source our customers of the advertisement placement services through our sales and marketing activities. We would discuss the promotion and advertising needs and the possibility of cooperation with such advertisers and/or their advertising agents (where appropriate).

Signing of framework agreements with customers

As a general practice, we would enter into binding framework agreements, which set out the principle terms of cooperation, with the enterprise advertisers or their advertising agents as our customers. Set out below are the salient terms of such framework agreements:

Term: A term of a few months to one year in general with no specific renewal mechanism.

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Service scope:	We shall provide top-up services to our customers' account(s) maintained with the specified online media publishing platform(s). We may also provide operation services for such account(s), including but not limited to advising on advertisement placement strategy to optimise placement performance and/or preparing the advertising materials to be placed on the media platforms.
Service fees:	Our customers shall pay to us the amounts for topping-up of their account(s) maintained with the online platforms, net of the rebates granted by us to our customers as agreed between the parties from time to time. Where we provide operation services, our customers shall further pay to us service fees equal to a fixed percentage of the actual amount used for topping-up of such account(s).
Responsibilities of our customers:	Our customers shall ensure that they would comply with the rules and requirements published by the designated media publisher from time to time and their business, products or services and the advertisement content will not violate any applicable laws and regulations or rights of third parties.
Payment arrangements:	We may make advance payments to the designated media publisher or its agents on behalf of our customers, in which case, parties shall agree by email the credit terms and maximum amount of such advance payment and the advertisers or advertising agents shall settle the payments on a monthly basis based on our invoices.

Provision of top-up and/or operation services

Our advertisement placement services are mainly delivered through the media publisher, being typically large-scale media platform operator, as may be designated by our customers. During the Track Record Period, we might provide top-up and/or operation services in respect of our customers' accounts with media publishers in the following manner: in order to secure publication of advertisements on the online platforms operated by the media publishers, we would arrange for our customers' accounts to be credited with an amount corresponding to the funds to be provided by the enterprise advertisers or their advertising agents. We might also assist in managing such accounts and the placement of advertisements by advising customers on advertisement placement strategy (such as bidding price) to optimise placement performance and/or

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preparing advertising materials to be placed on the media platform. Specifically, we sought to understand our customers' needs and advertising goals, such as their budget, target audience and expected reach, and advised them on how to best achieve such goals accordingly. We might then arrange placement and publication of the advertisements on various media platforms through media publishers or their agents.

Our Directors believe that with our experience accumulated in providing marketing and promotion services, we have the ability and adequate understanding of the market to formulate the advertising strategy for our customers in producing and placing their advertisements on such platforms and in such manner that best fits their needs. Given the fact that for a substantial amount of advertisement placement services offered by us, involve ad auctions (競價類廣告) whereby advertisers with higher bidding prices could get their advertisements displayed at more favourable advertising timeslots and spots, which could in turn affect the effectiveness of the advertisement placement we believe that our knowledge and timely advice can play a meaningful role in optimising the placement performance for our customers.

Set out below are the salient terms of the framework agreements entered into between the media publishers or their channel agents and us:

- | | |
|----------------------|--|
| Term: | The term of the framework agreements typically starts from the agreement date and up to the upcoming year end (i.e. 31 December) |
| Service scope: | (as to suppliers who are media publishers) we shall be entitled to be a service provider in connection with the advertising services provided by the media publishers

(as to suppliers who are channel agents) our suppliers shall arrange top-up services for the customers' accounts maintained by the advertisers at the media platforms |
| Service fees: | We shall pay to the suppliers the amounts for topping-up our customers' account(s) maintained with the online platforms. Our suppliers may grant to us rebates in accordance with the relevant policies of the medial publishers |
| Payment arrangement: | We are generally required to make payments to the media publishers or their channel agents at the time when we request for top-up services |

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For those customers which engaged us for account opening and/or topping-up services, our customers would be responsible for placing their advertisements on the platforms operated by the media publishers. On the other hand, for those customers which engaged us to provide operation services, we would assist our customers to operate their accounts, including, in particular, arrangement of placement of advertisements. During the Track Record Period, in relation to our operation services, we mainly focused on advertisement placement through ad auctions (競價類廣告), whereby advertisers submit their bidding prices for publishing of their advertisement. With our industry experience, we assist our customers to formulate placement strategy to optimise the advertisement placement performance. As confirmed by our Directors, we had not experienced any material difficulty in assisting our customers to arrange for their advertisements to be placed on the platforms operated by the media publishers during the Track Record Period.

Transfer of funds and settlements

Our payments to the designated media publishers or its channel agents for account top-up purpose are generally made on behalf of our customers in advance upon request for top-up services, before funds are received from our customers (i.e. enterprise advertisers or their advertising agents) where payments are settled on a monthly basis. Nevertheless, we generally make account top-up payments to the media publishers or its agents only after we received orders from our customers. In this sense, we do not make any purchase in advance while retaining the flexibility and capability to secure publication of advertisements from our suppliers as and when needed by our customers. Such arrangements help ensure the recoverability from our customers of the payments we have made on their behalf to our suppliers at the time we request for top-up services, and given that our customers are required to settle their payments within a relatively short timeframe on a monthly basis, the sufficiency of our working capital could be maintained in general during the Track Record Period for the purposes of the payments to our suppliers notwithstanding the cash flow mismatch between our payments to suppliers and payments from our customers. The bank borrowings available during FY2021 and 4M2022 had also enriched our working capital and provided further support for our daily operations in our advertisement placement services business. During the Track Record Period, we had not encountered any major difficulty in meeting our customers' demand, and there had been no instance of insufficiency and/or failure to supply advertisement placement services to our customers.

As regards our advertisement placement services, our revenue is mainly derived from provision of top-up services in respect of our customers' accounts with the designated media publisher. We normally grant a certain percentage of rebates to our customers as an incentive for these customers to engage us for the services. Our suppliers may also grant us rebates as a percentage of the top-up amounts of our customers. During the Track Record Period, our revenue from advertisement placement services was recorded on a net basis representing the surplus of (i) the net top-up amounts (after deducting the rebates granted by us to our customers) received by us from our customers, i.e. enterprise advertisers or their advertising agents, over (ii) the amounts paid by us (net of rebates from our suppliers (if any)) to our suppliers, i.e. media publishers or channel agents, for credits to our customers' accounts, which would be used for acquiring advertisement publishing services on the platforms maintained by the media publishers.

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For transactions where our direct suppliers were media publishers, quarterly and yearly rebates were normally paid to us a few months after the end of the previous quarter or year and such rebates were determined based on, among other things, their applicable rebate policies, the gross spending of our customers, the type of advertisement placed by our customers, and other discretionary incentive programmes as set up by the media publishers. When our suppliers were channel agents of the media publishers, such rebates were normally confirmed prior to, and would be set off against, our payment for top-up services. During FY2021 and 4M2022, we had recorded rebates from our suppliers (including media publishers and their channel agents) in the total amount of approximately RMB33 million and RMB5.9 million, respectively (inclusive of VAT). By consolidating the spending of our customers, we, as an intermediate marketing service provider, would normally be able to obtain a higher percentage of rebates from the media publishers than individual enterprise advertisers. In return, we would normally offer higher rebates to our customers if they top up their accounts through us. Accordingly, our customers would be able to lower their advertising costs by engaging us to provide advertisement placement services. In addition, as part of our service package we also provide customers services to the enterprise advertisers (or their agents) in connection with their advertisement placement activities on the media platforms at no extra cost. For example, we will assist our customer to liaise with the designated media publisher in resolving any technical issues, refunds and the performance of their advertisement placement services.

Under our advertisement placement services, we typically agree with our customers the amount of rebates granted to them prior to our provision of advertisement placement services while the rebates from the designated media publisher are normally paid to us on a quarterly/annual basis based on our performance in the previous quarter or year. As the rebates from media publisher are generally confirmed a few months after the end of the relevant quarter or year, we make reasonable estimates of accrual for rebates from the media publisher. We rely on data such as credits spent by our customers over a period of time and our suppliers' policies to conduct analysis on the rates of rebates to be granted to us by our suppliers. Based on such analysis, we determine the rebates to our customers which are normally at a lower rate than the estimated rates of rebates to be granted by our suppliers. If the final amounts of rebates turn out to be different from the accrued amount of rebates estimated by our management, corresponding adjustments would be subsequently made to our revenue from the advertisement placement services.

We may occasionally grant rebates to customers at a rate higher than our estimated rebates from our suppliers for the purpose of seizing market share or achieving specific benchmarks set by the media publisher. During FY2021 and 4M2022, we have granted rebates to 19 and three customers, respectively at a rate higher than our actual or estimated rebates from our suppliers and therefore recorded a loss of approximately RMB264,000 and RMB4,000 for the relevant contracts, respectively, mainly due to our strategy to boost up the total customers' spending in the fourth quarter of 2021 in order to obtain higher rebates from Supplier W. As the loss arising from such contracts was relatively insignificant and has been reflected in our revenue in FY2021 and 4M2022, we consider that such loss-making contracts did not and would not have any material adverse effect on our business and operations.

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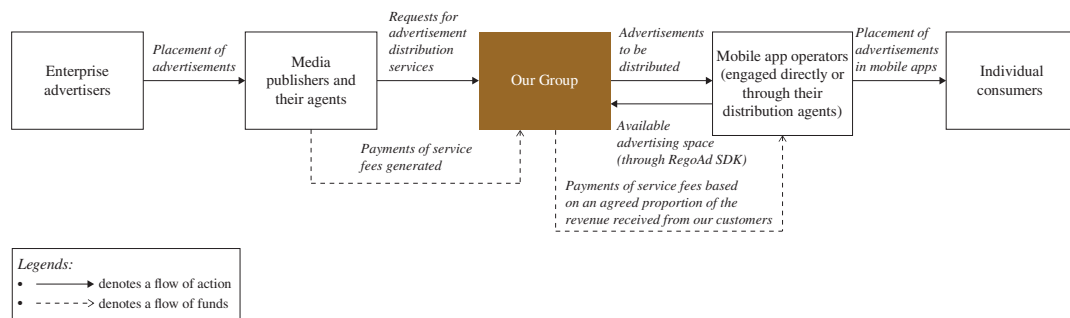
1A(iii) Advertisement Distribution Services (Delivered through Mobile App Operators)

We also help media publishers (which are primarily large-scale media platform operators) and their agents (in their capacity as advertising agents) to distribute and deliver the advertisements placed by them to mobile apps by offering our advertisement distribution services. To achieve user acquisition and/or reactivation purposes, enterprise advertisers may advertise their products and services on media publishers’ platforms, taking advantage of the media publishers’ resources and connections in the industry; as part of their service package, the media publishers may further distribute the advertisements to other platforms for display to enhance the coverage of the advertising campaign. As advertising agents, the media platform operators may be minded to employ our services as a further means to increase and, to the largest practicable extent, maximise the exposure and advertising reach of their customers, i.e. enterprise advertisers. As an intermediate marketing service provider, we arrange for the advertisements determined, placed and passed to us by advertising agents, including large-scale media platform operators or their agents, to be delivered to the public through advertising space in mobile apps selected by us which we consider to have sufficient engagement and/or have not yet engaged in traffic “monetisation”, and match the available mobile advertising space in the user interface of mobile apps against appropriate types of advertisements for their users. This is done through our SDK, namely RegoAd SDK, working in combination with advertising agents’ platforms and/or applications. Our RegoAd SDK can be embedded in the mobile apps to establish connections with them, and linked up with the advertising agents’ platforms and/or applications to form an advertisement distribution system. Utilising the built-in algorithm models in our RegoAd SDK, when there are suitable advertisement contents from the advertising agents, such contents will be automatically arranged to be displayed in the fitting advertising space offered by the mobile app operators via the distribution channel (formed by our RegoAd SDK working in combination with advertising agents’ platforms and/or applications), taking into account our suggested matching criteria, without the need for any manual operation. Our RegoAd SDK therefore facilitates effective and automatic matching of the demand for and supply of advertising facilities in the process of advertisement distribution, where advertisement contents are channelled to the advertising space that is available at the relevant times in appropriate mobile apps for display. From the perspective of our customers, i.e. advertising agents, we are providing advertisement distribution services, as we allow enterprise advertisers to effectively reach their target audience by arranging for their advertisements to be distributed and delivered in fitting mobile apps, thereby benefitting from the additional publicity gained. On the other hand, we enable mobile application operators to generate additional revenue through enhanced utilisation of their resources, i.e. their advertising space, thereby achieving “monetisation” of the user traffic they have created.

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As confirmed by iResearch, while the media publishers may not have specific qualification requirements for the intermediate marketing service providers they may engage, they may prefer to work with intermediate marketing service providers that possess a higher degree of technical proficiency and are able to provide relevant support services. Our Directors are of the view that the wide connectivity of our RegoAd SDK, which permits connections to be built with a broad range of mobile apps, and the suite of support we are able to provide for the mobile app operators (including, among others, the diversified forms of advertisements that can be arranged to be shown in the mobile apps (such as banners, pop-up advertisements and incentive-based advertisements), troubleshooting and follow-up in relation to technical issues encountered in connection and maintenance, and assistance in monitoring and optimisation of advertising performance) have permitted us to establish and maintain an extensive pool of mobile apps for executing advertisement distribution. Our Directors believe that this gives us a competitive edge as an intermediate marketing service provider, which could effectively secure our business relationships with the media publishers and guard against disintermediation or replacement of us by other intermediate marketing service providers in the industry.

Set forth below is a diagram which illustrates the business model of our advertisement distribution services business, in which our services are delivered through mobile app operators:



Business Flow and Key Participants

The key participants and their interactions with our Group in the business flow of our advertisement distribution services business are as follows:

Enterprise advertisers

Enterprise advertisers are the source of demand for advertisement distribution services in the value chain. Desirous of advertising and promoting their products or services for user acquisition and/or reactivation purposes, enterprise advertisers may advertise their products and services on media publishers’ platforms, taking advantage of the large-scale media platform operators’ resources and connections in the industry; as part of their service package, the large-scale media platform operators may further distribute the advertisements, through intermediate marketing service providers (such as

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our Group), to other platforms for display in order to broaden and deepen the exposure and advertising reach of the enterprise advertisers. Originating from enterprise advisers, the demand for our advertisement distribution services is channelled to us through large-scale media platform operators as advertising agents.

Advertising agents (as our customers)

Our customers in this business area are large-scale media platform operators and their designated agents. We are able to secure our business relationships with these large-scale media platform operators by completing their standard recruitment process and entering into framework agreements with them. Depending on the individual business practice of each such media platform operator, they may transact with us directly or through their designated agents. Such media platform operators themselves serve as agents of the enterprise advertisers; they, together with their designated agents, are collectively referred to as “advertising agents”.

In their role as advertising agents, the media platform operators may be minded to employ our services as a further means to increase and, to the largest practicable extent, maximise the exposure and advertising reach of their customers, i.e. enterprise advertisers. We allow the enterprise advertisers to effectively reach their target audience by causing their advertisements (sourced from their advertising agents) to be distributed to and delivered in fitting mobile apps. Hence, from the perspective of enterprise advertisers and their advertising agents, we are in essence providing advertisement distribution services.

Mobile app operators and distribution agents (as our suppliers)

We arrange for the advertisements determined, placed and passed to us by the advertising agents to be distributed and delivered to the public through advertising space in mobile apps selected by us which we consider to have sufficient engagement and/or have not yet engaged in traffic “monetisation”. With the aid of our SDK, namely RegoAd SDK, working in combination with advertising agents’ platforms and/or applications, we match the available mobile advertising space in the user interface of mobile apps against appropriate types of advertisements for their users.

As we agreed with our suppliers (i.e. the mobile app operators and/or their agents) in advance on the advertisement space to be connected with our RegoAd SDK and each mobile app is only allowed to register once on each media publisher’s platform, we are able to ensure that such advertisement space would be available for our customers.

We may approach operators of fitting mobile apps directly. In order to increase the efficiency and precision of matching, we may also employ the services of distribution agents to locate suitable mobile apps. Hence, our suppliers include both mobile app operators directly engaged by us, and distribution agents through which suitable mobile app operators are added to our RegoAd SDK.

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The mobile app operators we worked with in our advertisement distribution business during the Track Record Period were mostly operators of financial services mobile apps, including Mobile App A and Mobile App B for which we act as the exclusive advertisement distribution services provider. Set forth below is a list of the major participating mobile apps in our advertisement distribution services business during the Track Record Period:

Mobile app	Industry	Nature	Aggregate number of impressions			Costs of sales attributable to the mobile app		
			<i>(Note)</i>			2020	2021	4M2022
			2020	2021	4M2022	2020	2021	4M2022
			<i>million</i>	<i>million</i>	<i>million</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mobile App A	Financial services	News dissemination platform	954	3,562	1,554	10,007	54,458	20,897
Mobile App B	Financial services	Mobile game	627	2,224	970	2,502	13,614	5,224
Mobile App C	Financial services	Video sharing platform	2	183	–	76	4,205	–
Mobile App D	Financial services	Financial news dissemination platform	–	601	118	–	3,145	597
Mobile App E	Financial services	Education and training platform in relation to blockchain technology	–	153	6	–	1,095	26
Mobile App F	Utility and lifestyle	Video sharing platform	–	223	10	–	1,423	40

Note:

The “aggregate number of impressions” refers to the aggregate number of times advertisements had been presented to users of the mobile app during the relevant year or period, which the Directors believe reflects the relative size of the user base of the mobile app.

During the Track Record Period, our advertisement distribution services business was exposed to supplier concentration risks. In particular, approximately 96.6%, 85.0% and 97.8% of the revenue from our advertisement distribution services business recorded in FY2020, FY2021 and 4M2022, respectively, was generated from our collaboration with Mobile App A and Mobile App B, both of which are mobile apps related to financial services. The contract between our Group and the operator of these two mobile apps will expire in September 2023. If we fail to expand our supplier base or maintain our business relationships with these two mobile apps, the business operations of our advertisement

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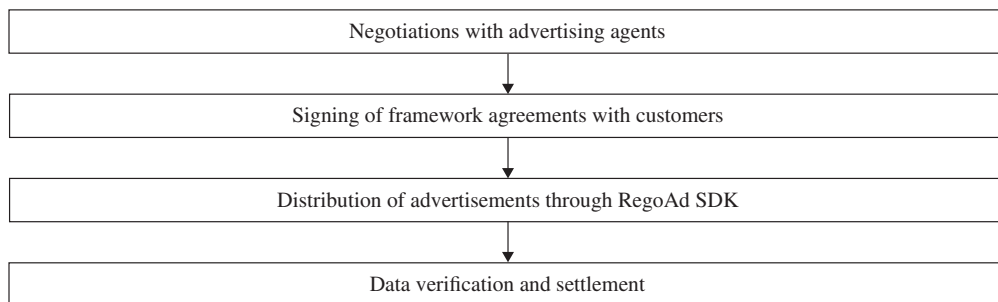
distribution services business may be adversely affected. Please see the section headed “Risk Factors — Risks Relating to Our Business and Industry — We rely heavily on our top customers and suppliers. If we fail to maintain our relationships with our top customers and suppliers, our financial condition, results of operations and prospects may be materially and adversely affected.” in this document for further details.

Individual customers

Via our RegoAd SDK working in combination with advertising agents’ platforms and/or applications, suitable advertisement contents are automatically arranged to be displayed in the fitting advertising space offered by the mobile app operators, taking into account our suggested matching criteria, without the need for any manual operation. We thus allow the enterprise advertisers to effectively execute their marketing and promotion strategies and reach their target audience, and achieve their goals of user acquisition and/or reactivation.

Key Operating Processes

The following flowchart outlines our key operating processes in respect of delivery of advertisement distribution services:



Negotiations with advertising agents

We keep contact with our customers, including agents of large-scale media platform operators, and seek to understand the demand of the advertising agents or the enterprise advertisers they service for advertisement distribution services, and explore the possibility of cooperation as we see fit .

Signing of framework agreements with customers

After reaching agreement on the terms on which our advertisement distribution services should be provided, as a general practice, we entered into binding framework agreements with media publishers and their advertising agents as our customers in respect of our advertisement distribution services during the Track Record Period.

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Terms of Framework Agreements with Our Customers

Pursuant to the framework agreements, our customers would provide us with the advertisement contents to be distributed through our RegoAd SDK. The salient terms of these framework agreements are summarised as follows:

Term:	A term of two years in general.
Service scope:	We shall provide advertisement distribution services through our RegoAd SDK. No specific performance target is set forth in the framework agreements in general.
Responsibilities of our customers:	Our customers shall ensure the advertisement contents provided are accurate, not inappropriate and will not violate any applicable laws, regulations or rights of third parties.
Responsibilities of our Group:	<ul style="list-style-type: none">• We shall not cause to be generated any false performance data from the advertisements, including through illegitimate actions, actions or impressions by automatic IT tools, or inappropriate inducements for third-party users.• We shall ensure satisfactory performance of our RegoAd SDK.• We shall not collect, use, transfer or otherwise interfere with any part of the contents or information we have received while rendering our services, except as permitted pursuant to the terms of the agreements.
Fees payment arrangements:	<ul style="list-style-type: none">• Service fees receivable by us are recognised monthly based on a mix of performance parameters including impressions, clicks and/or CTRs.• We generally require our customers to settle our invoices within 15 to 30 working days upon receipt of our invoices.

Our Directors confirm that our Group had not been involved in any breach of such framework agreements which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

BUSINESS

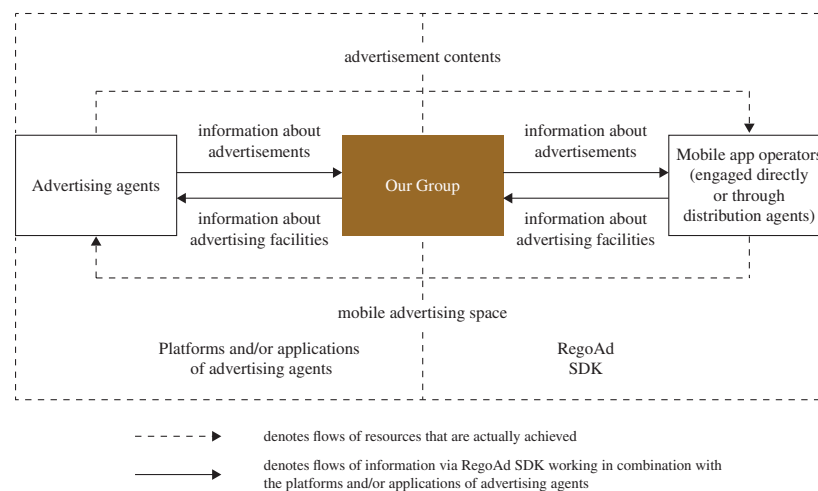
Distribution of advertisements through RegoAd SDK

As an intermediate marketing service provider, we arrange for the advertisements sourced from advertising agents to be delivered to the public through advertising space in mobile apps selected by us which we consider to have sufficient engagement and/or have not yet engaged in traffic “monetisation”. The available mobile advertising space in the mobile apps’ user interface is matched against appropriate types of advertisements for their users automatically via our SDK, namely RegoAd SDK, working in combination with advertising agents’ platforms and/or applications, taking into account our suggested matching criteria, without the need for any manual operation. Through this process, we achieve the dual purpose of (1) distributing the advertisements from the advertisers and the advertising agents to the public via fitting mobile apps and allowing the enterprise advertisers to effectively reach their target audience; and (2) enabling mobile application operators to generate additional revenue through enhanced utilisation of their resources, i.e. their advertising space, thereby achieving “monetisation” of the user traffic they have created.

Our RegoAd SDK

In 2020, we launched our RegoAd SDK which expanded our Group’s marketing channels to app operators for mobile advertising, in support of our advertisement distribution services business. Our RegoAd SDK permits automatic matching of the advertisement contents of enterprise advertisers and the advertising space of mobile apps, taking into account our suggested matching criteria.

Set forth below is the operating workflow of our RegoAd SDK:



Our RegoAd SDK possesses algorithm models that facilitate matching of advertisement contents and mobile advertising space. We would agree in advance with the mobile app operators the details of their advertising facilities, such as the available mobile advertising space in the user interface of their mobile apps, the types of advertisements that could be placed, and the formats of advertisements that may be used (for example, pop-up advertisements and open screen advertisements).

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We will then arrange for our RegoAd SDK to be embedded in the mobile apps of these operators to establish connections between our RegoAd SDK and these mobile apps, such that these mobile apps will be added to our resources pool and their advertising space will become available for connection. Our RegoAd SDK can be linked up with the platforms and/or applications of advertisement agents to form a complete and seamless advertisement distribution system. We work with advertising agents to make sure that our RegoAd SDK is properly embedded into their platforms and/or applications; once this is completed, when there are advertisement contents from our advertising agents that match the mobile advertising space offered by the mobile app operators, such advertisement contents may be automatically distributed along the chain and displayed in such fitting advertising space, taking into account our suggested matching criteria, without the need for any manual operation. For example, we may adjust the manners in which advertisements are shown in a particular mobile app, such as by way of banners, pop-up advertisements or incentive-based advertisements. We may also restrict particular types of advertisement or sensitive contents from appearing on a specific mobile app. Our RegoAd SDK also includes the function of creating advertisement contents display and clicking log. By matching the advertisements to the appropriate mobile advertising space, we would be able to assist enterprise advertisers to optimise their advertising campaigns.

Terms of Framework Agreements with Our Suppliers

Our suppliers include both mobile app operators directly engaged by us, and distribution agents through which suitable mobile apps are located. As a general practice, we entered into building framework agreements mostly with distribution agents as our suppliers in respect of our advertisement distribution services during the Track Record Period.

Pursuant to the framework agreements, we would provide the source code of the advertisement contents and our suppliers would embed our RegoAd SDK, inclusive of the advertisement content, into the app or online platform it provided. The salient terms of these framework agreements are summarised as follows:

Term:	A term of approximately one to two years in general with no renewal mechanism. If any party is in breach of any terms of an agreement, it shall take remedial actions generally within five to 15 working days upon request of the other party, failing which the other party may terminate the agreement with immediate effect.
Service scope:	Our suppliers shall provide the app or online platform into which our RegoAd SDK could be embedded for the distribution of advertisements.

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|------------------------------------|---|
| Responsibilities of our Group: | <ul style="list-style-type: none">• We shall be responsible for the operation and maintenance of our RegoAd SDK.
• We shall ensure the advertisement contents provided are not inappropriate and will not violate any applicable laws, regulations or rights of third parties. We achieve this by including these factors in the matching criteria preset in our RegoAd SDK for the distribution of suitable advertisement contents from the advertising agents to fitting advertising space in the mobile apps. |
| Responsibilities of our suppliers: | <ul style="list-style-type: none">• Our suppliers shall ensure that the app or online platform provided does not contain any contents which are inappropriate or may violate any applicable laws, regulations or rights of third parties.
• Our suppliers shall not collect, use, transfer or otherwise interfere with our RegoAd SDK or any of its components, or any part of the contents or information they have received while providing their services, except as permitted pursuant to the terms of the agreements. |
| Service fees payment arrangements: | <ul style="list-style-type: none">• Service fees payable by us, based on a proportion (as agreed between our suppliers and us) of the revenue received from our customers, are recognised monthly. During the Track Record Period, our suppliers were entitled to 50% to 80% of the income generated from our distribution of advertisements as recorded in our system under the relevant framework agreements.
• We are required to settle the invoices issued by our suppliers within 30 working days upon receipt of such invoices. |

The amount of service fees to be paid to our suppliers (as a proportion of the service fees received by us from our customers) is determined based on arm's length negotiations with our suppliers taking into account the traffic expected to be generated from the suppliers' mobile apps or online platforms, such as the amount of daily active user of the apps. While we enter into framework agreements with mobile app operators (or their suppliers) in respect of our advertisement distribution services, we do not have any obligation to acquire services from them as the fees payable by us to our suppliers are determined with reference to the performance of the advertisement distribution services. During the Track Record Period, we had not encountered any major difficulty in meeting our customers' demand, and there had not been any instance of insufficiency and/or failure to supply advertising distribution services to our customers.

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Our Directors confirm that our Group had not been involved in any breach of such framework agreements which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

Monitoring and Optimisation of Advertising Performance and Monetisation Effects

We cause the advertisements determined, placed and passed to us by advertising agents to be delivered to the public through display in the fitting advertising space offered by mobile app operators. We enable mobile application operators to generate additional revenue through enhanced utilisation of their resources, i.e. their advertising space, thereby achieving “monetisation” of the user traffic they have created.

We keep a close watch on the results and impact with a view to optimising the advertising performance and maximising the publicity that the enterprise advertisers could gain. We may enhance the functionalities of our RegoAd SDK for real-time monitoring of the mobile app performance data with the aid of our RegoAd SDK; with such data, we aim to provide timely feedback to the mobile app operators and enhance our advertisement distribution services.

Data verification and settlement

We invoice our customers for the services provided after verifying performance data with the relevant advertising agents, mobile app operators and/or distribution agents.

We charge our customers, i.e. the advertising agents, primarily based on a mix of agreed parameters for the advertisement distribution services, including, but not limited to, impressions, clicks, CTRs and/or CPM. Our revenue from advertisement distribution services is recorded on a gross basis.

We would in turn pay our suppliers, i.e. the mobile app operators or distribution agents, an agreed portion of the service fees received from our customers as our traffic acquisition costs. After deduction of such traffic acquisition costs, we are entitled to the balance of the service fees received from our customers. While the service fees receivable by us from our customers are recognised based on a mix of performance parameters, as the traffic acquisition costs payable by us to our suppliers (being mobile apps operators and their distribution agents) are determined as a percentage of the service fees received by us from our customers, we consider that we are able to avoid incurring losses in respect of specific advertisement distribution projects and effectively manage our profit margin of our advertisement distribution services. During the Track Record Period and up to the Latest Practicable date, we do not have any loss-making contracts under our advertisement distribution services.

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Our business relationship with media publishers

Both our advertisement distribution services and advertisement placement services are centred around the business ecosystem of the major media publishers in the PRC. Under our advertisement distribution services, we primarily provide advertisement distribution services to media publishers and/or their advertising agents. In particular, the revenue directly attributable to Customer J (being a group company of a major media publisher in the PRC) under our advertisement distribution services amounted to approximately RMB13.7 million and RMB0.2 million in FY2021 and 4M2022, respectively, representing 12.7% and 0.6% of our revenue from advertisement distribution services and 6.2% and 0.3% of our total revenue for the respective year/period, respectively. To the best of our Directors’ knowledge, information and belief, a substantial part of the demand from other customers of our advertisement distribution services (who are advertising agents) was also generated from Customer J (or its group companies) and/or other major media publishers in the PRC. On the other hand, we also acquire advertisement placement services from media publishers and/or advertising agents. During FY2021 and 4M2022, substantially all of the gross purchase costs (which has been net-off from our gross revenue) of our advertisement placement services were directly, and indirectly through advertising agents, attributable to media publishers, with approximately 29.1% and 12.1% of our gross purchase costs attributable to Supplier W (or its group companies) and approximately 70.1% and 87.5% of our gross purchase costs attributable to Supplier BB (or its group companies) for the respective year/period, respectively.

As advised by iResearch, it is common that service providers in the advertisement distribution and advertisement placement industry to rely on a few numbers of media publishers which dominate the media publishing markets. Our Directors consider that our business relationship with media publishers was in line with the industry landscape of advertisement distribution services and advertisement placement services. We will closely monitor the level of reliance on any particular media publisher and continue to diversify our customer/supplier base to reduce our reliance on any individual media publisher.

1B. Virtual Goods Sourcing and Delivery Services

We have sought to expand our scope of marketing services beyond basic advertising and promotion activities, and the introduction of virtual goods sourcing and delivery services is one of our milestones in this regard.

According to the iResearch Report, “marketing” refers to activities a company undertakes to promote the buying or selling of a product or service, and is the business process of identifying, anticipating and satisfying customers’ needs and wants. In marketing, promotion includes any type of marketing communication used to inform target audiences of the relative merits of a brand, and the purposes of a promotional plan may cover creation of brand equity, positioning and a corporate image. In the PRC, one of the major forms of marketing used is loyalty marketing, i.e. an approach to marketing under which a company focuses on attracting new customers and retaining existing customers through incentives; loyalty marketing rests on the premise that the subjective assessment by a customer of whether to make a purchase or not is based on the integrated value they receive.

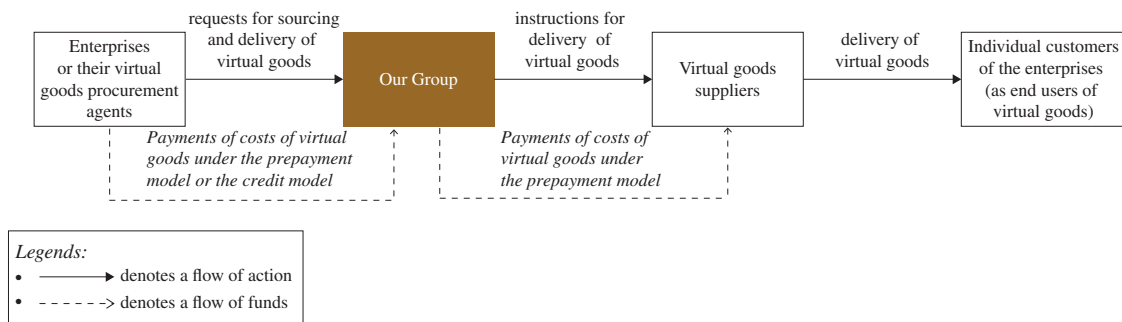
BUSINESS

The giving out of complimentary goods and services is considered an effective means for enterprises to incentivise purchases by new customers, and reward and build loyalty among existing customers. Virtual goods refer to (i) goods in digital forms, such as gift cards of e-marketplaces, top-up for telecommunication services, membership of online entertainment platforms, and virtual items of online games; and (ii) virtual claims for physical goods and offline services, such as gift cards of offline marketplaces, gift cards of gas stations, and dining vouchers. In the to-B virtual goods market, the market players source virtual goods for the uses of their corporate customers in certain business operation process, such as marketing and user operations. It is common for enterprises to provide virtual goods as gifts or benefits in their marketing and promotion campaigns, which can boost growth in the number of new customers, stimulate repeat purchases, and/or create a widespread buzz and re-activate existing users.

To this end, we launched our Rego Virtual Goods Platform in 2017. As part of our marketing and promotion services, we assist enterprises in executing their overall customer relationship management strategy by sourcing a range of virtual goods and delivering the same to the individual customers of the enterprises through our platform. We believe that the provision of virtual goods by enterprises to their individual customers through our Group could, in particular, achieve the following business objectives:

- user acquisition, i.e. the act of gaining new users or customers for their app(s), platform(s), product(s) or service;
- user engagement, i.e. the process of interacting with existing users or customers and encouraging them to be interested in the work of their organisations, and/or their app(s), platform(s), product(s) and/or service(s), where the primary goal is to cause the users or customers to find the app(s), platform(s), product(s) and/or service(s) valuable enough to continue using them; and
- user retention, i.e. the processing of inducing continued use of their app(s), platform(s), product(s) and/or service(s) by existing users or customers.

Set forth below is a diagram which illustrates the business model of our virtual goods sourcing and delivery services business:



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Business Flow and Key Participants

The key participants and their interactions with our Group in the business flow of our virtual goods sourcing and delivery services business are as follows:

Enterprises and their virtual goods procurement agents (as our customers)

Our customers in this business sub-segment are those enterprises that intend to offer virtual goods to their individual customers, or their virtual goods procurement agents. We will arrange for virtual goods to be delivered to the individual customers of the enterprises upon receiving specific instructions from them or their procurement agents.

Virtual goods suppliers (as our suppliers)

Our suppliers in this business segment are the producers or providers of virtual goods and relevant delivery services. Through our Rego Virtual Goods Platform, the orders placed by the enterprises or their virtual goods procurement agents are simultaneously transmitted to us and to our suppliers.

As a to-B virtual goods provider, we serve enterprises and primarily assist them in executing their user acquisition, engagement and/or retention strategies by connecting a large number of virtual goods suppliers across different industries with the enterprises and/or their virtual goods procurement agents in the value chain, as opposed to to-C virtual goods providers which distribute, resell or operate retail channels of virtual goods directly to end consumers. We add value by providing our customers with an integrated offering of virtual goods at lower costs and increased ease of management.

The virtual goods we carried during the Track Record Period can be categorised into the major categories of top-up for telecommunication services, online vouchers and interests, and gift cards of gas stations. Among others, we offered a wide spectrum of online vouchers and interests during the Track Record Period, including but not limited to memberships of online entertainment platforms, gift cards of e-marketplaces, coffee vouchers, memberships of online healthcare and medical services, and packages combining various types of online vouchers and interests.

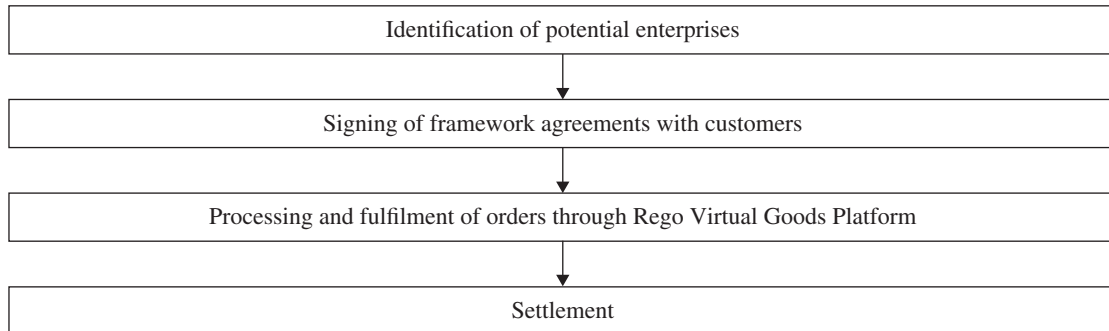
Individual customers of the enterprises (as end users)

As per the orders from our customers received through our Rego Virtual Goods Platform, our suppliers will deliver or procure delivery of the virtual goods to the individual customers of the enterprises as specified by our customers for their consumption. The whole arrangements serve to incentivise purchases by new customers of the enterprises, and reward and build loyalty among their existing customers. The user acquisition, engagement and/or retention strategies of the enterprises can thus be executed.

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Key Operation Processes

The following flowchart outlines our key operating processes in respect of delivery of virtual goods sourcing and delivery services:



Identification of potential enterprises

We seek to identify potential enterprises in the market that are contemplating the offer of virtual goods to their individual customers for user acquisition, engagement and/or retention purposes. We enter into negotiations with the enterprises and/or their virtual goods procurement agents where appropriate, taking into account their business needs and the availability of our virtual goods offerings in the specific areas concerned, among others.

Signing of framework agreements with customers

After reaching agreement on the terms on which our virtual goods sourcing and delivery services should be provided, as a general practice, we entered into binding framework agreements with enterprises or their virtual goods procurement agents as our customers in respect of our virtual goods sourcing and delivery services during the Track Record Period.

Terms of Framework Agreements with Our Customers

The salient terms of these framework agreements are summarised as follows:

Term:	A term of one year, which is automatically renewed for successive terms of one year if neither party to an agreement disagrees to the agreement terms in general. The agreements are generally subject to termination by consent.
Amount or quantity:	The framework agreements generally do not specify any specific or minimum purchase amount in respect of the virtual goods.

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Payment arrangements: The prepayment model or the credit model is generally adopted for payment of the costs of the virtual goods by our customers to us. Under the prepayment model, we require the customer to deposit certain sums into our bank accounts prior to placement of orders; under the credit model, our customer may effect payment within a specified time period after completion of orders, subject to the credit limit specified by us. Please refer to the paragraphs headed “Settlement” below for further details.

Responsibilities of our Group:

- We shall provide and maintain the API to ensure stable and secure access of our customers.
- We are generally responsible for providing technical support services to our customers, such as 24-hour emergency contact for API connectivity issues.

Please refer to the paragraphs headed “Processing and fulfilment of orders through Rego Virtual Goods Platform” below for further details.

Confidentiality: Each party to our agreement shall not disclose any trade secrets or other business information in relation to the virtual goods sales and the other party.

Our Directors confirm that our Group had not been involved in any breach of such framework agreements which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

Processing and fulfilment of orders through Rego Virtual Goods Platform

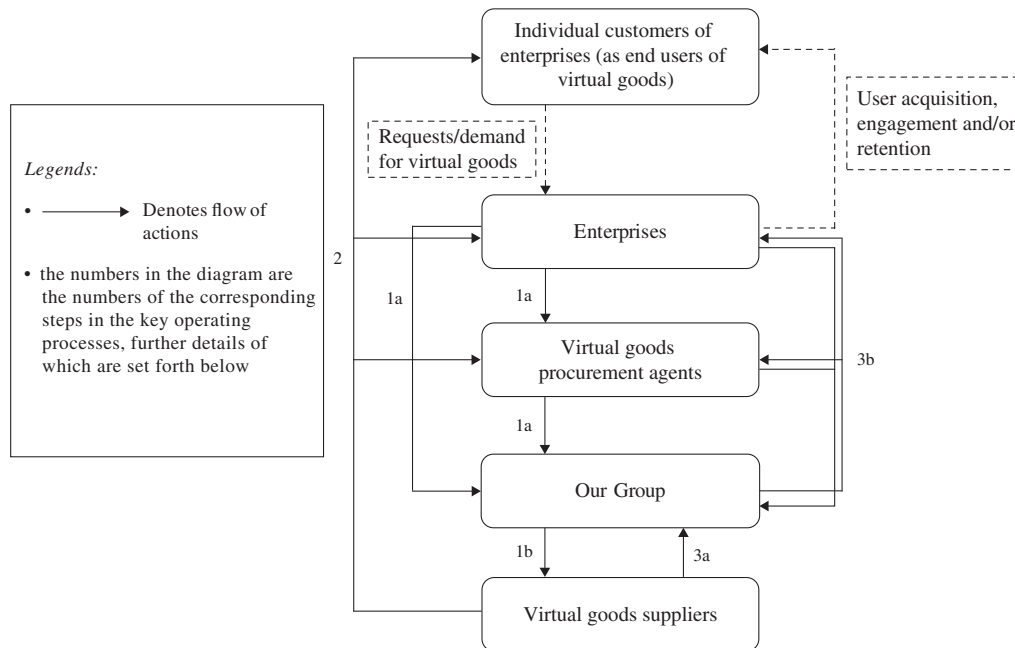
Our virtual goods sourcing and delivery services are mainly delivered through our Rego Virtual Goods Platform.

Our Rego Virtual Goods Platform

Our Rego Virtual Goods Platform can be connected to the platforms of our customers and suppliers via APIs and thus enables us to receive orders for virtual goods from enterprises for consumption by their individual customers (as the end users of the virtual goods), verify their orders, compare prices and inventories of the suppliers connected to our platform, place orders to our suppliers, and arrange for delivery of the virtual goods ordered to the enterprises or their individual customers on a real-time basis.

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The following diagram illustrates the flows of actions in general among the key participants in our virtual goods sourcing and delivery services business when conducted via our Rego Virtual Goods Platform:



Step 1a: Order placement

Upon receiving requests or instructions and/or taking into account the demand from their individual customers, the enterprises place orders for virtual goods (together with the user or account details of the individual customers to whom the virtual goods should be delivered, where applicable) directly or indirectly (via procurement agents) with us, via APIs.

Step 1b: Transmission of orders to our suppliers

Where we are connected with both our customers (i.e. enterprises or their procurement agents) and our suppliers (i.e. virtual goods suppliers) via APIs, step 1a and step 1b may take place contemporaneously: the orders placed by our customers (together with the user or account details of the individual customers to whom the virtual goods should be delivered, where applicable) may be transmitted from us to our suppliers as and when we receive the same from our customers.

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Step 2: Delivery of virtual goods

Upon receiving the orders, our suppliers will, as per our instructions, either (1) provide the requested virtual goods in the form of digital certificates to our customers (i.e. enterprises or their procurement agents); or (2) arrange for the virtual goods to be delivered to the individual customers of the enterprises directly (such as topping up the designated individual customers’ accounts with the relevant platforms), as agreed between our customers and us.

Step 3a: Confirmation of order completion by our suppliers

Our suppliers will send us an order completion message after the virtual goods have been delivered via APIs.

Step 3b: Confirmation of order completion vis-à-vis our customers

Depending on the terms of the agreements reached between our customers and us, we may provide an order completion message to our customers via APIs upon receiving the order completion message from our suppliers; alternatively, our customers may generate a confirmation of receipt of the virtual goods via APIs, upon which the order should be deemed to have been completed.

Where we are connected with both our suppliers and our customers via APIs, step 3a and step 3b may take place contemporaneously.

Terms of Framework Agreements with Our Suppliers

As a general practice, we entered into building framework agreements with virtual goods suppliers as our suppliers in respect of our virtual goods sourcing and delivery services during the Track Record Period. The salient terms of these framework agreements are summarised as follows:

Term:	A term of one year which is automatically renewed for a successive term of one year if neither party to the agreement disagrees to the agreement terms in general. The agreements are generally subject to termination by consent.
Amount or quantity:	The framework agreements generally do not specify any specific or minimum purchase amount in respect of the virtual goods.

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Payment: The prepayment model is generally adopted for payment of the costs of the virtual goods by us to our suppliers. Please refer to the paragraphs headed “Settlement” below for further details.

Confidentiality: Each party shall not disclose any trade secrets or other business information relating to the other party or the sale and purchase of virtual goods.

Our Directors confirm that our Group had not been involved in any breach of such framework agreements which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

Virtual Goods Available through Our Rego Virtual Goods Platform

The virtual goods we carried during the Track Record Period can be categorised into the major categories of top-up for telecommunication services, online vouchers and interests, and gift cards of gas stations. Among others, we offered a wide spectrum of online vouchers and interests during the Track Record Period, and packages combining various types of online vouchers and interests. Set forth below are further details of the major categories of virtual goods offered through our Rego Virtual Goods Platform during the Track Record Period:

<u>Category</u>	<u>Major types of virtual goods</u>	<u>Use by the end users</u>
Top-up for telecommunication services	Top-up for telecommunication services offered by <ul style="list-style-type: none"> • China Mobile (中國移動); • China Telecom (中國電信); and • China Unicom (中國聯通) 	Topping-up of the accounts of the end users with the telecommunication service providers for continuous use and enjoyment of telecommunication services
Online vouchers and interests	<ul style="list-style-type: none"> • Memberships of online entertainment platforms; • Gift cards of e-marketplaces; • Coffee vouchers; and • Memberships of online healthcare and medical services platforms 	<ul style="list-style-type: none"> • Access to paid content on the online entertainment platforms • Purchase of items available on the online marketplace; • Purchase of items from coffee shops; and • Access to paid services offered by the online healthcare and medical services platforms
Gift cards of gas stations	Gift cards of <ul style="list-style-type: none"> • PetroChina (中國石油); and • Sinopec (中國石化) 	Purchase of gasoline and other goods and services at gas stations

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Our Competitive Edge in Sourcing and Delivery of Virtual Goods

While the framework agreements we have entered into with our suppliers do not stipulate a minimum purchase amount, we consider that we are able to enjoy certain price advantage as compared to the prices available to individual enterprises, which, to the best of the knowledge, information and belief of our Directors, generally fell within the range of approximately 1% to 5% during the Track Record Period. Our suppliers have been prepared to offer us favourable prices in view of our larger transaction volume, our well-established and stable business relationships with our suppliers, our sound payment records, and the recurring nature and frequency of our transactions with such suppliers as we have developed a sizeable pool of customers in our virtual goods sourcing and delivery services business. Our suppliers may provide additional discount to us if our order volume reaches a certain level. In addition, taking into account the foregoing factors, several major suppliers of our Group have agreed to supply us with virtual goods at their most favourable rate (i.e. a rate lower than or equal to the rate offered to other customers at the same time) to ensure business relationships can be built and transactions can be conducted with us on a long-term and sustainable basis, which is believed to be mutually beneficial. To the best of the knowledge, information and belief of our Directors, our Group had been able to purchase the best-selling items of our virtual goods from our suppliers at a discount to the prevailing market prices (being generally the prices available to individual enterprises) during the Track Record Period. We have sought to ensure that our virtual goods are offered at competitive prices; given our favourable procurement prices, to the best of the knowledge, information and belief of our Directors, the best-selling items of our virtual goods had been sold at prices below the prevailing market prices during the Track Record Period, and such price advantage, together with our service quality, had incentivised our customers to procure virtual goods through our Rego Virtual Goods Platform.

To the best of the knowledge, information and belief of our Directors, we are not required to hold any specific qualification as a “to-B” intermediate virtual goods supplier. Nevertheless, as individual enterprises may not have access to a wide range of virtual goods suppliers or they may find it too costly to source different virtual goods separately, our major competitive edge in providing virtual goods sourcing and delivery services lies in our ability to consolidate our resources and connections among our suppliers and offer a one-stop supply of various different virtual goods to our customers through our Rego Virtual Goods Platform, which in turn allows them to efficiently manage their purchases.

We also consider our ability to offer the credit model of payment settlement and credit period of up to three months, which virtual goods providers may not be willing to offer, attractive to our customers. Taking into account the above, we believe we have been and will continue to be able to attract customers to procure virtual goods through us instead of purchasing from virtual goods providers directly.

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Settlement

In general, payments for the costs of the virtual goods are required to be made by our customers, i.e. enterprises or their virtual goods procurement agents, under the prepayment model or the credit model. Where the prepayment model is adopted, our customers are required to deposit certain sums into our bank account prior to placement of orders, which will form the limits on their respective order amount; after an order has been completed, we deduct the costs of the virtual goods delivered from the balance of prepayments from the relevant customer. On the other hand, under the credit model, we assign a specific credit limit to each customer taking into account, among others, its past transaction amounts with us and payment records; the customer may place orders for virtual goods of an amount not exceeding the credit balance; upon completion of an order, a credit amount equivalent to the costs of the virtual goods delivered will be deducted from the balance, and the customer shall effect payment for such costs within a specified time period of up to three months.

Set forth below is a table presenting the respective GMV of our virtual goods that had been sold to and paid for by our customers under the prepayment model and the credit model during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
GMV of virtual goods sold settled under					
• Prepayment model	272,152	389,614	376,612	129,899	123,930
• Credit model	10,061	198,896	431,393	190,688	193,988
 Total GMV of virtual goods sold	282,213	588,510	808,005	320,587	317,918

As regards our payments to our virtual goods suppliers, the prepayment model is generally adopted. We generally make advances to our suppliers of virtual goods. We may make deposits into suppliers' bank accounts from time to time according to our business needs, which will form the limit on our order amounts. Such prepayments would be treated as unutilised credits which could be used to settle the purchase price of virtual goods based on the quoted price of the virtual goods informed by our suppliers from time to time. Given that we are not required to confirm the types or quantities of the virtual goods to be acquired at the time of making prepayments and we may apply for refund of any unutilised prepayments to its suppliers, we are able to effect purchase on a back-to-back basis when our customers place an order with us.

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For the transactions with our customers under the prepayment model, given that our customers are required to make prepayment to us for their purchase of virtual goods, the relevant transactions would not cause any burden on our cash flow. On the other hand, for transactions with our customers under the credit model, we have to ensure that we have sufficient cash flow to make prepayments to our suppliers before our customers settle the relevant purchase costs. The total GMV of the virtual goods attributable to our customers under the credit model amounted to RMB10.1 million, RMB198.9 million, RMB431.4 million and RMB194.0 million for FY2019, FY2020, FY2021 and 4M2022, respectively. Accordingly, the average monthly amounts required for making advance payments to suppliers on behalf of our customers were RMB0.8 million, RMB16.6 million, RMB36.0 million and RMB48.5 million for FY2019, FY2020, FY2021 and 4M2022, respectively. Throughout the Track Record Period, we principally settled prepayments to our virtual goods suppliers using our internal resources and bank borrowings. For FY2019 and FY2020, in terms of GMV, our virtual goods had entirely or predominantly been sold to and paid for by our customers under the prepayment model. During FY2021 and 4M2022, as our virtual goods sourcing and delivery services business further expanded, the credit model had become more commonly adopted for payments by our customers for the costs of virtual goods sold by us; nevertheless, our liquidity had not been materially affected given that (i) we have sufficient amount of working capital, in particular, our average monthly cash and cash equivalents balance amounted to approximately RMB26.4 million, RMB39.1 million, RMB36.9 million and RMB21.0 million during FY2019, FY2020, FY2021 and 4M2022, respectively; (ii) in respect of our transactions with customers under the credit model, our customers would inform us of the intended date of placement of orders for virtual goods and we would make prepayments to our suppliers a few days before the intended transaction date. After the transactions were completed on the Rego Virtual Goods Platform, we normally issue a monthly invoice to our customers within two weeks after the relevant month end. Depending on the terms agreed with the relevant customers, they may settle the purchase price based on the relevant transaction date or invoice date. During the Track Record Period, the time gap between the date of prepayment to suppliers and settlement by our customers normally ranged, as to customers who settled the payment with reference to transaction date, from three to ten days, and for customers who settled the payment with reference to invoice date, from 15 to 60 days; (iii) the average turnover days of the trade receivables of our Group as to the transactions with customers of the virtual goods sourcing and delivery services under the credit model were approximately 8.9 days, 9.1 days, 10.4 days and 18.3 days for FY2019, FY2020, FY2021 and 4M2022, respectively; (iv) we constantly receive payments from our customers and make payments to our suppliers and the fund available to us is revolving on a daily basis; and (v) the bank borrowings available during FY2021 and 4M2022 had also enriched our working capital and provided further support for our daily procurement operations. During 4M2022, we recorded a relatively lower average monthly cash and cash equivalents primarily due to delay in settlement of trade receivables by certain customers which were affected by the preventive measures imposed as a result of the Resurgence of the Covid-19 pandemic in early 2022 in the PRC. Nevertheless, we did not encountered any material liquidity issues in making prepayments to our suppliers given that (i) we had cash and cash equivalent of approximately RMB61.5 million as at 31 December 2021; (ii) we have obtained additional bank borrowings in the amount of RMB20.9 million; and (iii) the effect of the Resurgence has been subsiding since June 2022 and a substantial portion

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of the trade receivables as at 30 April 2022 had been settled by our customers as at the Latest Practicable Date. For details, please refer to the section headed “Financial information — Recent development and no material adverse change — Recent Resurgence of the COVID-19 pandemic” in this document.

In order to maintain sufficient liquidity for the operations of our virtual goods sourcing and delivery services, we have adopted the following internal control measures:-

- (a) department heads of our virtual goods sourcing and delivery services are required to prepare and submit to the finance department, on a monthly basis, the estimated amounts required for prepayments to suppliers and the expected payments to be received from customers and the finance department would be responsible for monitoring the cash flow available to our Group based on the estimated cash flow required for each departments within our Group;
- (b) the finance department would, on a monthly basis, provide a list of the trade receivables to the department heads, who shall in turn arrange to follow up with our customers for timely settlement;
- (c) we would set a limit in respect of the amount of credit granted to each customer of our virtual goods sourcing and delivery services under the credit model, which was determined with reference to our business relationship with the customers and the credit records of such customers. Such limits are regularly reviewed by the management and no credit period would normally be granted to new customers of the virtual goods sourcing and delivery services; and
- (d) prior to entering into transaction with a new customer, our employees would visit such customer to verify its backgrounds and credibility.

The costs of the virtual goods payable by us to our suppliers and by our customers to us respectively are calculated based on the agreed fixed prices per unit of the specific items of virtual goods sourced and delivered. Our revenue from sourcing and delivery of virtual goods is recorded on a net basis and represents the amount by which the payments receivable from our customers exceed the procurement costs payable to our suppliers.

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2. IT Solutions Services

Apart from marketing and promotion services, we have also been providing IT solutions services, which we consider to be closely associated with our principal business of marketing and promotion services. Apart from business diversification, provision of IT solutions services also serve to increase our penetration of the relevant marketing segments and produce opportunities for further business collaboration and expansion of our marketing channels:

- ***Enhanced penetration of the relevant marketing segments***

A prominent feature of our marketing and promotion services business is that we specialise in the provision of marketing services for specific industries, which we consider to form individual marketing segments. To facilitate our penetration of the target marketing segments, we had embarked upon business operations in the relevant industries through the provision of IT solutions services for the operators in such industries. Our Directors believe that by establishing a foothold in the relevant industries, we will be able to gain market insights and intelligence with greater breadth and depth, and at the same time build connections with the key market players. In particular, we may win recognition of our competence as a business partner and the trust of the key market players if we are able to demonstrate excellence in the provision of relevant IT solutions services. All of these are expected to ultimately conduce to a better understanding of the specific marketing needs of the market players in such industries in their roles as advertisers and/or publishers, and more efficient implementation of our marketing proposals when we deliver our marketing and promotion services in such industries.

- ***Potential synergies resulting from opportunities for collaboration in broader business areas and expansion of our marketing channels***

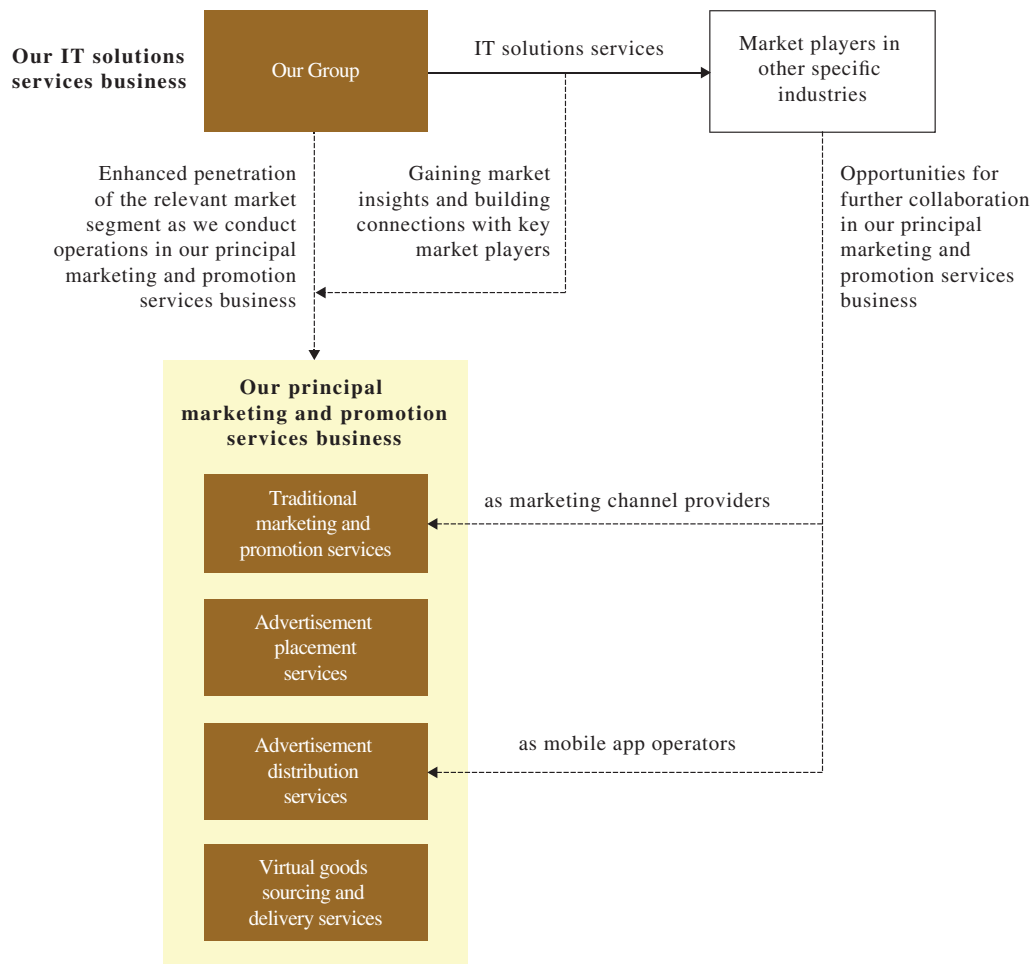
By providing IT solutions services to the market players in other industries, we also hope to bring about an upturn in the operating scale and financial performance of our customers of IT solutions services. As they grow and prosper, they could experience an expansion in customer base and become useful marketing channels with increased user traffic; leveraging the business relationships we have built with them through our provision of IT solutions services, we stand to enter into further collaboration with them in our principal marketing and promotion services business. For example, we may engage them as marketing channel providers for publication and/or distribution of advertisements and other marketing materials, to enable enterprise advertisers to effectively reach the target audience. Given the potential for our customers of IT solutions services to integrate into our principal marketing operations and, in particular, develop into a valuable part of our marketing channels, the opportunities for further collaboration created could lead to synergies. Benefitting from the enrichment of our marketing resources, we would be in a good position to achieve growth in tandem with our customers.

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Therefore, during the Track Record Period, we had been providing two types of IT solutions services, namely (i) mobile game and software development and maintenance services; and (ii) solutions on lottery-related software systems and equipment.

Our Directors view our operations in the mobile game and software industry and the lottery industry as illustrations of our market penetration and business partner engagement strategies, and part of our business diversification process and overall marketing services development plan. With the multifaceted benefits it could bring, our IT solutions services business is expected to be a growth driver of our principal marketing and promotion services business and of our Group as a whole in the longer term.

Set forth below is a diagram which illustrates the business model of our IT solutions services business:



----- Denotes the potential benefits that could result from our provision of IT solutions services to market players in other specific industries

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We provide (i) mobile game and software development and maintenance services and (ii) solutions on lottery-related software systems and equipment for our customers on a project-by-project basis as agreed in our project-based contracts. We generally enter into a contract with our customers for each project.

The following table set forth details of the projects under our IT solutions services carried out during the Track Record Period:

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>4M2022</u>
(2A) Mobile games and software development and maintenance services				
Number of projects^(Note 1)				
– for existing customers	5	1	2	3
– for new customers	<u>5</u>	<u>0</u>	<u>3</u>	<u>1</u>
Subtotal	10	1	5	4
Revenue generated (RMB ‘000)	17,861	7,939	11,275	7,084
(2B) Solutions on lottery-related software systems and equipment				
Number of projects^(Note 1)				
– for existing customers ^(Note 2)	–	28	39	39
– for new customers	<u>2</u>	<u>9</u>	<u>5</u>	<u>0</u>
Subtotal	2	37	44	39
Revenue generated (RMB ‘000)	1,122	23,987	44,378	5,476

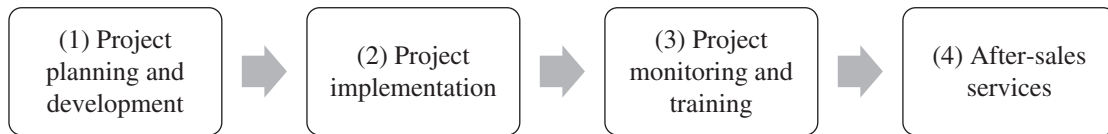
Notes:

- The numbers represent the number of ongoing projects which generated revenue in each financial year/period during the Track Record Period. As the duration of our projects varies depending on many factors such as the nature and complexity of the services to be provided and the terms of the contract(s) entered into with our customers, a particular project may be counted as an ongoing project in more than one financial year.
- Customers which had transactions with Xi’an Tiantai prior to our acquisition are classified as existing customers

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Our Project Cycle and Service Process

The following diagram illustrates the typical project cycle in respect of our provision of (i) mobile game and software development and maintenance services and (ii) solutions on lottery-related software systems and equipment, which include four major phases, namely (1) project planning and development, (2) project implementation, (3) project monitoring and training, and (4) after-sales services.



(1) Project planning and development

In respect of the games, software or solutions on lottery-related software systems and equipment to be provided, our customers would specify their requirements, such as the theme and setting of the games, the target users and the size of the user base, and specific functional features. Our project team would be responsible for preparing design proposals for discussion with our customers before commencement of the development and testing process.

(2) Project implementation

Our project team will then assist our customers with the implementation of the project proposals and the integration process. Upon completion of the development process, we deliver and conduct on-site official testing of the software and/or hardware we have developed to ensure they can satisfy the specific requirements of our customers. This stage normally lasts for six months to 12 months, based on the scale and complexity of each specific project.

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| (3) Project monitoring and training | We offer ongoing technical and maintenance services to ensure the stability and functionality of the software and/or hardware we have provided. We seek to assist our customers in identifying and resolving errors and defects that may exist in the games, software and/or systems provided by us, with a view to optimising performance. In response to the technical issues faced by our customers, we may assign our technical staff to provide on-site support if necessary. Our project team also provides our customers with specific training related to the installation, usage and functionality of our software and/or hardware. Based on the contract terms, we generally provide training sessions to our customers on an as-needed basis. |
| (4) After-sales service | We deliver relevant software design and technical information to our customers and would generally provide warranty for a specified period of time. |

2A. Mobile Game and Software Development and Maintenance Services

Leveraging our familiarity with the mobile game and software industry gained through the provision of marketing and promotion services to mobile app operators over the years and our knowhow and human resources in the area of research and development acquired while building the requisite systems for our marketing and promotion services business, we tapped into the mobile game and software development and maintenance services business in 2017. As discussed above, our Directors saw the potential benefits of business diversification, enhanced penetration of the relevant marketing segment, and synergies resulting from opportunities for further business collaboration, in our provision of mobile game and software development and maintenance services.

Our initial plan was to explore the possibility of developing into a dedicated mobile game operator. Although our initial business plan to become a mobile game operator had yet to materialise and our business operation in this respect had not been carried out on a full-blown scale during the Track Record Period after careful assessment by our Directors, we hold on to the belief that the provision of IT solutions services could be conducive to the growth of our principal marketing and promotion services business in the longer term.

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Our Products and Services

Leveraging our information technology capabilities, during the Track Record Period, we had developed for our customers more than 10 online mobile games of different genres (such as fishing, mahjong and poker), and various software/online platforms to support enterprise operations (such as customer relationship and order management) and for the specific uses of mobile game developers and mobile phone users.

The table below sets forth the key features of major software we have developed:

Software	Key features	Target customers
Mobile games	Interactive online mobile games with a credit point system which allows players to redeem their accumulated points for virtual goods	Mobile game developers
Customer relationship management system	Membership management system with profile management, online services, sales and promotion, and complaints handling functions	Enterprises conducting online businesses
Customer order management system	Order management system with real-time order tracking function for customers	Enterprises conducting online businesses
Telecommunication credit top-up management system	Management system with credit balance enquiry, transaction history enquiry and mobile credit top-up functions	Mobile phone users

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Terms of Agreements with Our Customers

As a general practice, we entered into agreements with our customers on a project-by-project basis during the Track Record Period. The principal terms of such agreements typically included:

Term:	From a few months to two years in general, depending on the complexity of the software to be developed
Responsibilities of our Group:	We would be responsible for preparing design proposals, software development, testing and trouble-shooting, as well as preparing user manuals and/or system manuals on a case-by-case basis.
Responsibilities of our customers:	Our customers would specify the themes and/or functional requirements of the games, software and/or systems to be provided by us.
Service fees:	A fixed amount as mutually agreed, generally payable in one lump sum or a number of monthly instalments after confirmation of acceptance of the games, software and/or systems by our customers. We have entered into revenue sharing arrangement with one of our major customers where we would provide both (i) development and maintenance services for a mobile game and (ii) marketing and promotion services for the same mobile game. Instead of a fixed amount of service fees, we would be entitled to a certain percentage of all players' total spending on the mobile game. For FY2019, FY2020, FY2021 and 4M2022, our revenue generated from such major customer amounted to approximately RMB9.6 million, RMB7.9 million, RMB9.5 million and RMB3.5 million, respectively.
After sales service:	We generally provide warranty for a specified period of time.

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Our Project Team

Our mobile games and software development and maintenance services had been provided entirely by the employees of our Group during the Track Record Period. Nevertheless, traffic acquisition costs of approximately RMB0.4 million incurred in FY2019 had been classified as our cost of services under our mobile game and software development and maintenance services business. This was because we had been providing promotion and advertising services together with mobile game and software development and maintenance services to Customer A1 as a bundle to facilitate its acquisition of new users for its mobile game during the period from 2017 to 2019. Such traffic acquisition costs represented the fees paid to our suppliers of marketing channels for our promotion and advertising services provided to Customer A1 in conjunction with our mobile game and software development and maintenance services. For further details, please refer to the paragraphs headed “Our Customers — Major Customers — Our relationship with Customer Group A — Transactions between our Group and Customer Group A during the Track Record Period — 1. Transactions with Customer A1” in this section, and the section headed “Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — 2. Revenue from our IT Solutions Services — (i) Mobile Game and Software Development and Maintenance Services” in this document.

We assign our technical staff to project execution or research and development work on a project-by-project basis based on specific project needs and our employees’ expertise. As at the Latest Practicable Date, we had 65 members of technical staff, seven of whom were in charge of project execution and 58 of whom were in charge of research and development work.

For further details of our research and development team, please refer to the paragraphs headed “Our Technology and Infrastructure — Our Quality Control and Research and Development Team” in this section.

2B. Solutions on Lottery-Related Software Systems and Equipment

According to the iResearch Report, the market size of the lottery solutions industry in the PRC in terms of total revenue had grown steadily from approximately RMB4,765 million in 2017 to RMB5,115 million in 2021. Due to (i) the rapid development of the lottery industry in the PRC; (ii) the innovation of lottery games; and (iii) the adoption of the franchise store model for lottery sales channels in China, the market size of the lottery solutions industry in the PRC is expected to grow further from approximately RMB5,115 million in 2021 to RMB7,399 million in 2026 at a CAGR of 7.7%. Among all categories, lottery software and systems show the fast pace of growth and are expected to become the largest category in 2026.

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In view of the favourable external market developments outlined above, we have been evaluating and exploring the possibilities to expand our marketing operations in the lottery industry and to convert the widespread lottery retail network in the PRC into our marketing channel. Having in mind business diversification, enhanced penetration of the relevant marketing segment and potential synergies resulting from opportunities for further collaboration in our principal marketing and promotion services business, we started to provide solutions on lottery-related software systems and equipment as another form of IT solutions services. We began with the provision of lottery product vending machines in 2019.

In 2020, we strategically acquired the entire share capital of Xi’an Tiantai, which was principally engaged in the provision of information security systems and equipment for welfare lottery centres and lottery retail stores in the PRC. Xi’an Tiantai is an early mover and innovator of lottery security systems in the lottery solutions market in the PRC, having well-established business relationships with various provincial WLIACs and offering relatively comprehensive IT solutions that cover the various key areas in the business operation of lottery sales points. At the time of our acquisition, Xi’an Tiantai had established business relationships with provincial WLIACs in 22 provinces, municipalities and autonomous regions in the PRC, covering over 88,000 lottery sales points. Through the acquisition of Xi’an Tiantai, we had significantly strengthened our research and development capabilities in respect of lottery solutions. We have also been striving to expand our customer base as well as product offerings of lottery-related software systems and equipment. As at the Latest Practicable Date, we have built business relationships with the provincial WLIACs in 23 provinces, municipalities and autonomous regions in the PRC, covering over 97,000 lottery sales points which represent approximately 64.7% of all the lottery sales points in the PRC. Our Directors regard the acquisition as a significant move that will drive both our penetration of the lottery marketing segment and our business collaboration with lottery retail stores. Particularly, the research and development capabilities gained and the network built could lay the foundations for development of our SaaS enterprise marketing service platform with the participation of lottery retail stores, and create the potential for expansion of our retail lottery marketing channel; this serves as an example of how synergies may be generated.

We consider that our solutions on lottery-related software systems and equipment business will continue to support our business growth in the coming years. In particular, we will (i) continue to expand the geographical coverage of the information security and payment systems and equipment business of Xi’an Tiantai to cover the remaining provincial WLIACs; (ii) provide maintenance services and upgrades in respect of the software system and/or equipment to the provincial WLIACs which are our existing customers; (iii) further expand our product or service offerings to the provincial WLIACs by leveraging on our business relationships; and (iv) expand our marketing and advertising services through our vast coverage of provincial WLIACs and lottery sales points by connecting the offline lottery retail sales points to create our private traffic and the potential offering of lottery tickets on our Rego Virtual Goods Platform.

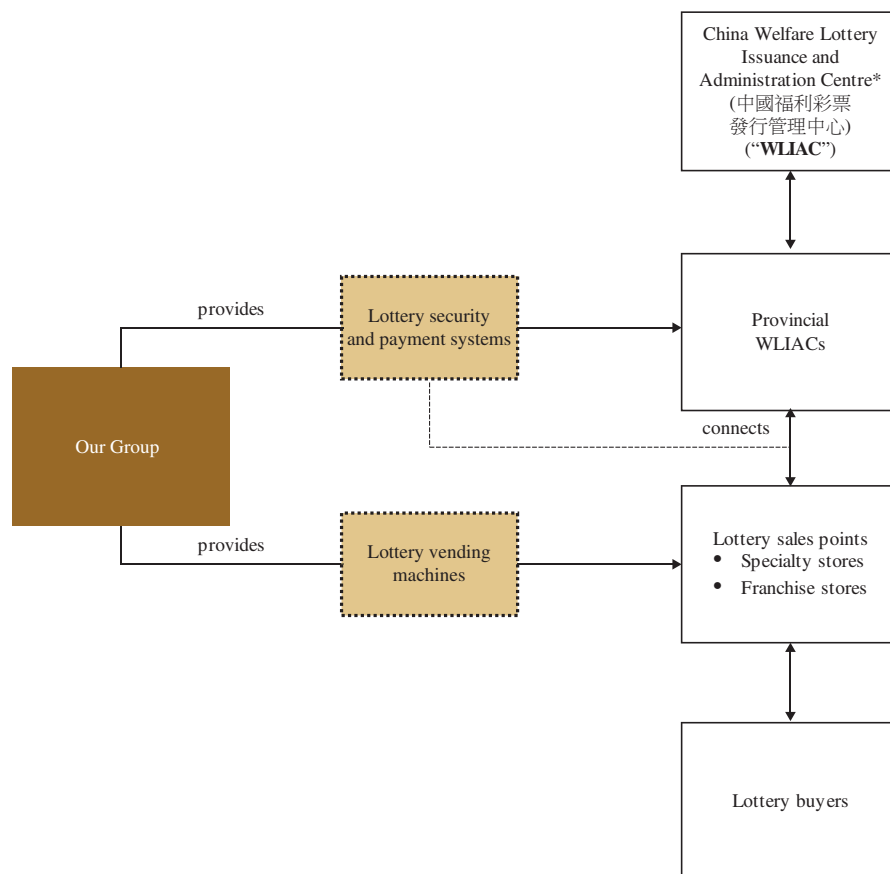
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As mentioned above, we commenced our IT solutions services business with the provision of mobile game and software development and maintenance services. The subsequent shift of our focus in our IT solutions services business to solutions on lottery-related software systems and equipment is a major step forward that is expected to produce synergies and help bring our plan to advance and expand our SaaS enterprise marketing service platform to fruition.

Business Flow and Key Participants

During the Track Record Period, we had provided solutions on lottery-related software systems and equipment to various governmental and non-governmental entities in the PRC, including provincial WLIACs and the lottery sales points under them, among others.

The following diagram presents the key stakeholders in the welfare lottery industry in the PRC and their interactions with our Group as we provide solutions on lottery-related software systems and equipment:



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China Welfare Lottery Issuance and Administration Centre* (中國福利彩票發行管理中心)

In the PRC, lottery tickets are issued by the state and sold to lottery buyers. No lottery ticket can be issued without the authorisation of the State Council and no foreign lottery ticket can be issued and sold within the PRC.

The lottery market in the PRC follows a three-level administration and management system, i.e. state level, provincial level, and prefectural level. The WLIAC is responsible for the overall planning and management of issuance and sale of welfare lottery tickets nationwide.

Provincial WLIACs (as our customers)

Provincial WLIACs, i.e. WLIACs at the level of provinces, municipalities and autonomous regions, operate under the guidance of the WLIAC and take charge of the issuance and sale of welfare lottery tickets within their respective province or municipality of administration, including decisions on upgrade of welfare lottery security systems.

Under the applicable laws and regulations in the PRC, certain lottery-related products and services, including lottery security systems, can be provided to the provincial WLIACs by independent lottery solution providers.

Lottery Sales Points (as our customers)

Lottery sales channels in the PRC are predominantly offline channels. They include specialty stores, such as traditional lottery betting stores, and franchise stores, such as convenience stores, supermarkets, financial institutions, gas stations and tobacco shops, all of which operate under the supervision of the relevant provincial WLIACs.

As an independent lottery solution provider, Xi'an Tiantai provides lottery security systems which offer assistance in respect of internet access, video transmission, station sales data collection, lottery betting data collection, payment collection and other areas, through advanced encryption technology. Our lottery security systems connect provincial WLIACs and the lottery sales points under them, for information and data flows, which is essential for the distribution of welfare lottery tickets issued by the provincial WLIACs to lottery sales points for further sale to lottery buyers.

According to the iResearch Report, due to (i) the increase in lottery sales points and lottery buyers, and (ii) the emphasis on business networks and intellectual properties in the lottery industry in the PRC, lottery retailers in the PRC have migrated from virtual private dialup networks (VDPN) to security access systems (SAS) for access to the China

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welfare lottery network. Originally using VDPN account to access the internet via dial-up connections, lottery retailers have now become generally adapted to maintaining connection with provincial WLIACs via SAS. The SAS are believed to have manifold advantages as follows:

- higher security: the SAS have the functions of identity verification, access control, IP tunnelling encapsulation and customised cryptography algorithm built into them;
- higher reliability: the SAS support multi-level backup and recovery;
- higher adaptability: the SAS allow multiple access methods;
- flexibility: the SAS permit unified certification, centralised management and hierarchical control;
- higher scalability: the SAS contain various device interface and modular structure; and
- comprehensive functions: the SAS support broadband internet access, wireless access, Voice over Internet Protocol (VoIP) and video surveillance.

The transformation from VDPN to SAS has given rise to a significantly rising demand for lottery-related software systems and equipment with advanced encryption technology. As one of the first entities in the PRC specialising in provision of internet security solutions that have been servicing various governmental authorities and corporations, Xi'an Tiantai embarked on the development of lottery-related software systems and equipment in view of the trend of transformation from VDPN to SAS in the lottery industry in the PRC. The SAS developed by Xi'an Tiantai adopts advanced technologies including identity authentication, transmission encryption, unified management, and multi-share system to realise the integration of lottery sales, online videos, and other comprehensive functions. It provides a secure and reliable lottery transmission network and various connection methods which facilitates the development of other value-added services for lottery sales points. Upon completion of its research and development work, Xi'an Tiantai launched test runs of its SAS in selected province, municipality and autonomous region in the PRC and was able to pass the pilot project assessments conducted by the technical research centre of the WLIAC. On the recommendations of the relevant authorities, Xi'an Tiantai had sought to introduce its lottery-related software systems and equipment to a broader range of users through, among others, participation in industry conferences. Through its effort over the years, Xi'an Tiantai had succeeded in establishing business relationships with business relationships with the provincial WLIACs in 23 provinces, municipalities and autonomous regions in the PRC covering over 97,000 lottery sales points as at the Latest Practicable Date.

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According to the iResearch Report, once stable business relationships have been established with lottery solution providers, the PRC lottery authorities are highly likely to continue to cooperate with the chosen service providers taking into account the extra administrative and time costs any change in service providers could bring. Hence, leading lottery solution providers could take advantage of their strong brand recognition and proven track records of cooperating with the WLIACs to secure their leading position. As an early mover and innovator in respect of lottery security systems in the lottery solution market in the PRC, Xi’an Tiantai’s business relationships with various provincial WLIACs and extensive service coverage are well established, which lays the foundation for sustainable development and growth of our business in relation to provision of IT solutions on lottery-related software systems and equipment. To enrich its suite of information systems to answer the business needs of lottery retailers as a means to improve its competitiveness, Xi’an Tiantai has also developed its electronic payment system (一付通), unified certification system (一證通), lottery terminal machines and outlets management system, among others, for the lottery industry; in this sense, Xi’an Tiantai offers relatively comprehensive IT solutions covering the various key areas in the business operation of lottery sales points. Our Directors believe the above constitute our major competitive advantages in our provision of IT solutions on lottery-related software systems and equipment.

We also offer lottery vending machines, which are usually placed in lottery sales points for retail sales of lottery products. Our lottery vending machines, which are designed to be compatible with industry standards on security and identification systems, combines the sales and communication functions in the lottery sales system. When combined with our lottery security access systems, our lottery vending machines facilitate connection with the lottery sale system operated by the provincial WLIACs in compliance with the relevant laws and regulations while retaining the efficiency required by our customers in the sale of lottery tickets.

Lottery Buyers

The welfare lottery tickets issued by each provincial WLIAC are available for purchases by the lottery buyers primarily through the lottery sales points in the relevant province or municipality.

According to the iResearch Report, there were approximately 234 million lottery buyers in the PRC in 2021. The development of new lottery games and new retail channels in lottery sales will increase public interest in lottery and render lottery tickets more readily available for purchases by the public. Accordingly, the number of lottery buyers in the PRC is expected to grow to approximately 284 million in 2026, representing a CAGR of 3.9% from 2021.

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Our Lottery-related Software Systems and Equipment

Our lottery-related software systems and equipment principally include the lottery security and payment systems provided by Xi’an Tiantai. Our integrated business security access system (一線通) enables secure communication and interaction between provincial WLIACs and lottery sales points. To this end, our security access centre equipment and security access terminal equipment assists in establishing the requisite information security system, while our software platform enables such communication and interaction process. We have systems in place to monitor and obtain live feedback on the status and conditions of the security access equipment and software platform to facilitate swift feedback and maintenance and upgrade services. We also provide outlets management system to monitor lottery sales activities and information security system to monitor external interference to the lottery systems. Our lottery-related software systems are designed and developed internally, while our lottery-related equipment, such as servers, motherboards, terminal equipment and firewall system, have been procured from external suppliers.

Prior to the Track Record Period, Xi’an Tiantai had begun to provide its integrated business security access system (一線通) for the use of the provincial WLIACs and the lottery sales points in 16 provinces, municipalities and autonomous regions in the PRC; Xi’an Tiantai had continued to provide after-sale services such as maintenance services and other items such as lottery terminal machines or outlets management systems for such provincial WLIACs and lottery sales points, where applicable. During the Track Record Period, Xi’an Tiantai began to supply its integrated business security access system (一線通) to the provincial WLIACs and the lottery sales points in Gansu, Shanxi, Tianjin, Heilongjiang, Guangdong and Hunan in FY2018, and in Fujian in FY2021; after-sale services such as maintenance services and other items such as lottery terminal machines or outlets management systems had also been provided to these provincial WLIACs and lottery sales points where applicable.

We also offer lottery vending machines designed to be compatible with industry standards on security and identification systems, which are usually placed in lottery sales points for retail sales of lottery products. Our lottery vending machines facilitate connection with the lottery sale system operated by the provincial WLIACs in compliance with the relevant laws and regulations while retaining the efficiency required by our customers in the sale of lottery tickets.

Terms of Agreements with Our Customers

Our customers in this business sub-segment are primarily provincial WLIACs using our lottery security and payment systems. As advised by our PRC Legal Advisers, no particular license or qualification is required for our provision of solutions on lottery-related software systems and equipment to provincial WLIACs. Our other customers during the Track Record Period included enterprises, being primarily procurement agents of WLIACs through which we had provided lottery security systems to the relevant WLIACs, and lottery sales points, to whom we had directly provided replacement lottery security systems under exceptional circumstances when their systems as provided by the WLIACs could no longer be used due to wear and tear.

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Our relationship with customers is primarily governed by sales agreements we enter into with them. For our information security systems and equipment for lottery centres, we mainly submit tenders together with proposals relating to the system and equipment design according to the user requirement of the relevant lottery centres (as our customer) for their assessment. Xi'an Tiantai has been largely successful in its tenders for the provision of lottery-related systems and equipment with a tender success rate of 85.7%, 96.4%, 100% and 100% in FY2019, FY2020, FY2021 and 4M2022, respectively.

The principal terms of such agreements typically include:

- | | |
|---------------------------|--|
| Products and/or services: | Products and/or services in relation to (i) information security systems; (ii) software systems and equipment; (iii) outlets management platform services; and (iv) equipment maintenance and after-sales services |
| Term (for services): | Generally valid for one year |
| Quality standard: | <ul style="list-style-type: none">• The products shall comply with (i) the technical and product standards of the original manufacturers; (ii) the technical specifications and requirements stipulated under the tendering documents (if applicable); (iii) if no such specifications and/or requirements are mentioned in the tendering documents (if applicable), the relevant national or industry standards; and/or (iv) any other specifications and/or requirements as agreed with our customers in accordance with the relevant agreement. |
| After-sales services: | <ul style="list-style-type: none">• We provide (i) technical support services, (ii) quality assurance and/or (iii) repair and maintenance services if there are technical problems with our products.• We are generally responsible for providing training to our customers in relation to our products.• We generally provide warranty for a specified period of time. |
| Consideration: | <ul style="list-style-type: none">• For products: A fixed amount in accordance with the (i) volume of products and (ii) unit price as stipulated in the relevant agreement.• For services: A fixed amount as mutually agreed, payable after satisfactory performance of services by us. |

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We generally only enter into agreements with our customers on a project-by-project basis. The amount we charge each customer may take one of the following forms: (i) prices of our lottery-related software systems and equipment; (ii) fees for maintenance services in respect of lottery-related software systems and equipment for a fixed term; and (iii) a combination of (i) and (ii). During the Track Record Period, the majority of our revenue from this business sub-segment was derived from projects which combined sales of our lottery-related software systems and equipment and provision of relevant maintenance services for a fixed term (generally ranging from one year to five years). Our customers may engage us for further provision of maintenance services in respect of lottery-related software systems and equipment after expiration of the warranty period or the previous engagement, and hence revenue may be generated from our provision of such maintenance services on a recurring basis. On the other hand, one-off separate purchases of our lottery-related software systems and equipment (not packaged with our maintenance services) were relatively uncommon among our customers during the Track Record Period. Meanwhile, we have been working continuously to expand our scope of operations in provision of solutions on lottery-related software systems and equipment, in terms of both coverage of provincial WLIACs and lottery retail stores, and types of software systems and equipment and support services on offer. Further, as disclosed in “Our Business Strategies — Developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels” in this section, we will initially cover lottery retail stores under the development plan of our SaaS enterprise marketing service platform, where we intend to integrate and deploy our existing marketing channels and platforms to lottery institutions and lottery retail stores with a series of marketing and promotion services for user acquisition, engagement and/or retention purposes. We therefore stand to expand our marketing operations in the lottery industry in the PRC. This will constitute a further income stream originating from the relevant marketing participants including lottery retail stores, on top of the provision of solutions on lottery-related software systems and equipment.

During the Track Record Period, the majority of our projects in relation to provision of lottery-related software systems and equipment and relevant maintenance services were awarded to us by provincial WLIACs through tender. We generally charge our customers based on the tender price quoted for the supplies of our lottery solutions, which depends on factors such as (i) our expected profit margin on top of the relevant cost of sales; (ii) the customer’s specific requirements in relation to the lottery solutions; (iii) the range of value-added services we are required to provide; and (iv) volume requirements and delivery schedules. In other cases, the amounts we charge are determined on a cost-plus basis through arm’s-length commercial negotiations with our customers, taking into account our expected profit margins which were determined by considering factors including the relevant customers’ profiles, business relationships with us, scale of operations, and credibility.

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Terms of Agreements with Our Suppliers

Our relationship with suppliers is primarily governed by sales agreements we enter into with them. The principal terms of such agreements typically include:

Products and/or services:	Components, finished products and/or services in relation to (i) information security systems; (ii) software systems and equipment; and/or (iii) equipment maintenance and after-sales services
Term (for services):	Generally valid for one to three years
Quality standard:	The products shall comply with (i) the technical and product standards of the original manufacturers; (ii) the technical specifications and requirements stipulated under the tendering documents of our customers (if applicable); (iii) the relevant national or industry standards; and/or (iv) any other specifications and/or requirements as agreed with us in accordance with the relevant agreement.
After sales service:	<ul style="list-style-type: none">• Our suppliers generally provide (i) technical support services and/or (ii) repair and maintenance services if there are technical problems with their products.• Our suppliers generally provide warranty for a specified period of time.
Consideration:	<ul style="list-style-type: none">• For products: A fixed amount in accordance with the (i) volume of products and (ii) unit price as stipulated in the relevant agreement.• For services: A fixed amount as mutually agreed, payable by instalments.

We generally only enter into agreements with our suppliers upon receiving purchase orders from our customers. Pricing is generally determined upon negotiations based on factors such as (i) purchase volume; (ii) range of services provided; (iii) delivery and timing requirements; and (iv) availability of alternative suppliers.

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Technical knowhow and experience

As an early mover and innovator of lottery security systems in the lottery solutions market in the PRC for over a decade, according to iResearch, Xi’an Tiantai possesses strong capabilities in conducting research and development for lottery solutions. It had 33 members of research and development staff specialising in information technology, who generally possessed relevant academic qualification and industry experience, and three of which are quality assurance staff as at 30 April 2022. Xi’an Tiantai has been accredited with the High New Technology Enterprise Certificate* (高新技術企業證書) since 2019; it had also obtained various information security certificates and recognitions in the industry such as the China National Compulsory Product Certification Certificate* (中國國家強制性產品認證證書) in respect of lottery terminal machines, and possessed 12 utility and design patents and 80 software copyrights in relation to electronic payment and lottery security systems and equipment as at the Latest Practicable Date. Please refer to the paragraphs headed “Licenses, Permits and Approvals”, “Awards and Recognitions” and “Intellectual Properties” in this section for further details. Furthermore, due to the strong technical capability of Xi’an Tiantai, we had developed business relationships with the provincial WLIACs in 23 provinces, municipalities and autonomous regions in the PRC, such as Shanghai, Hubei, Guangdong, Sichuan, Shaanxi and Guangxi, with an extensive coverage of over 97,000 lottery sales points as at the Latest Practicable Date. Leveraging our early move and scale advantages and our established relationships with the provincial WLIACs in the PRC, we could promptly adapt and respond to changes in market trends and consumer demand at an early stage.

Risks of Disintermediation in Our Business

As an intermediate advertising service provider, we connect enterprise advertisers with marketing channel providers (in our traditional marketing and promotion services business), media publisher (in our advertisement placement services business) and mobile app operators (in our advertisement distribution services business) (collectively, the “**Promotion and Advertising Services Suppliers**”), directly or indirectly through their respective agents. Being an intermediate service provider, we are exposed to the inherent risk of disintermediation in our promotion and advertising services business, i.e. the situation where enterprise advertisers (and/or their advertising agents) and the Promotion and Advertising Services Suppliers (and/or their respective agents) dispense with, cease to engage and compete with intermediate advertising service providers (such as our Group) while transacting with each other directly. This is because the enterprise advertisers could theoretically furnish the advertising materials to and engage the Promotion and Advertising Services Suppliers directly, without enlisting our services. In particular, enterprise advertisers may open and top up their own accounts with the media publishers directly for placement of their advertisements on such media platforms, and the platforms and/or applications of the media publishers (as advertising agents of enterprise advertisers) can be connected with mobile apps (provided that the mobile app operators have the requisite technical capacity) to form a channel for direct distribution of advertisements from the media publishers to the mobile apps. This means that the advertisement placement services and the advertisement distribution system of the media publishers are open to the enterprise advertisers and the mobile app operators respectively and accessible by them

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directly and not necessarily through any intermediate marketing service provider, permitting transactions to take place directly between the enterprise advertisers (and/or their advertising agents) and the relevant Promotion and Advertising Services Suppliers without going through us. In this sense, the Promotion and Advertising Services Suppliers could theoretically compete with us for business and acquire our customers. According to the iResearch Report, the marketing industry in the PRC is highly fragmented and there are a large number of online advertising agencies. Online advertising agencies usually connect advertisers with designated agents of advertising publishers, or directly connect them with advertising publishers. It is common and more cost-efficient for a large number of enterprises to conduct their marketing activities through intermediate advertising service providers. In 2021, there were more than 1 million corporates in advertising industry in China. As a result, competition is fierce in the advertising industry.

Further, our customers may also elect to develop their in-house marketing departments to conduct promotion and advertising activities on their own. For example, enterprise advertisers with a larger operating scale may establish their own marketing channels, and such enterprise advertisers may make arrangements with their advertising agents (i.e. media publishers) or mobile app operators for direct distribution of advertisements to the mobile apps. According to iResearch, companies with a large scale of operation tend to establish their own marketing team and may conduct marketing and promotion activities without engaging intermediate advertising services providers, and thus, disintermediation is not an uncommon occurrence. We cannot assure that our customers (including enterprise advertisers and their agents) will not adjust their marketing strategy in the future to conduct marketing and promotion activities on their own and cease to engage intermediate advertising services providers. For further details, please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — If our customers transact with marketing channel providers/media publishers/mobile app operators directly or if they conduct promotion and advertising activities on their own, we may be exposed to the risk of disintermediation.” in this document.

There has not come to our attention any specific instance where our customers have ceased to transact with us and directly engaged the Promotion and Advertising Services Suppliers in our promotion and advertising services business. From 1 January 2022 and up to the Latest Practicable Date, we maintained on-going business relationship with our major customers in FY2021, who in aggregate contributed to 96.2% of our revenue from promotion and advertising services during FY2021. Our Directors believe that we play a meaningful role that adds value in the supply chain of promotion and advertising services. Specifically,

- in relation to our traditional marketing and promotion services business, we have a comprehensive supplier network comprising over 50 online and offline marketing channel providers and channel agents in different major cities in the PRC during the Track Record Period, to which enterprise advertisers might not easily be able to gain access on their own.

We also serve to increase the effectiveness and efficiency of the marketing campaigns by providing assistance in the planning and launch stages;

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- in our advertisement placement services business, our customers may enjoy greater flexibility in liquidity management using our account opening services and top-up services, since we would make payment on their behalf to the designated media publisher or its channel agents in advance upon request for top-up services and only subsequently invoice and charge our customers on a monthly basis for our services provided, and such arrangement may not be available if our customers deal with the media publisher directly and top-up their accounts themselves.

We also normally offer our customers a higher percentage of rebates than the media publisher would offer to them directly, as we, by consolidating the spending of a mass of enterprise advertisers, would normally be able to obtain a higher percentage of rebates from the media publisher than individual enterprise advertisers themselves could, thus permitting our customers to achieve savings on advertising costs.

In addition, we provide value-adding customer support services, such as assistance in applying for advertisement placement and follow-up in relation to technical issues encountered. Starting from September 2021, we also provide to our customers operation services such as advising on advertisement placement strategy to optimise placement performance and/or preparing the advertising materials to be placed on the media platforms; and

- in respect of our advertisement distribution services business, as confirmed by iResearch, media publishers (as advertising agents of enterprise advertisers) may prefer to work with intermediate marketing service providers that possess a higher degree of technical proficiency and are able to provide relevant support services. Our Directors are of the view that the wide connectivity of our RegoAd SDK, which permits connections to be built with a broad range of mobile apps, and the suite of support we are able to provide for the mobile app operators (including, among others, the diversified forms of advertisements that can be arranged to be shown in the mobile apps (such as banners, pop-up advertisements and incentive-based advertisements), troubleshooting and follow-up in relation to technical issues encountered in connection and maintenance, and assistance in monitoring and optimisation of advertising performance) have permitted us to establish and maintain an extensive pool of mobile apps for executing advertisement distribution. Our Directors believe that this gives us a competitive edge as an intermediate marketing service provider, which could effectively secure our business relationships with the media publishers.

Our Directors consider that the above, together with our service quality, provide sufficient incentives for our customers to continue employing our promotion and advertising services and help guard against disintermediation.

In addition to our promotion and advertising services, we also act as an intermediate services provider of virtual goods sourcing and delivery services, by acquiring virtual goods from our suppliers and providing them to our customers. Our directors are of the view that our customers would not easily replaced us with other intermediate service providers or directly transact with the virtual goods suppliers as we offer (i) a wide variety of virtual goods through our Rego Virtual Goods Platforms whereby offering one-stop services to our customers; and (ii) tailored technical supports to our customers in establishing the interface for delivery of the virtual goods.

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OUR CUSTOMERS

During the Track Record Period, our customers mainly comprised (i) enterprise advertisers and their advertising agents using our traditional marketing and promotion services; (ii) enterprise advertisers and their advertising agents engaging us for advertisement placement services; (iii) media publishers (as advertising agents) using our advertisement distribution services; (iv) enterprises and virtual goods procurement agents procuring virtual goods from us; and (v) mobile game operators, and welfare lottery centres and lottery sales points using our IT solutions services. Please see the paragraphs headed “Our Business Model — Marketing and Promotion Services” and “Our Business Model — IT Solutions Services” in this section for details.

The following table sets forth the total number of our customers of each of our business segments during the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
1. Marketing and promotion services				
1A. Promotion and advertising services				
(i) Traditional marketing and promotion services ⁽³⁾	29	11	5	4
(ii) Advertisement placement services	–	–	150	69
(iii) Advertisement distribution services	–	3	4	3
1B. Virtual goods sourcing and delivery services ⁽⁴⁾	10	16	16	10
Sub-total	39	30	175	86
2. IT solutions services				
2A. Mobile games and software development and maintenance services ⁽⁵⁾	9	1	3	4
2B. Solutions on lottery-related software systems and equipment ⁽⁶⁾	1	23	24	18
Sub-total	10	24	27	22
Total	49	54	202	108

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Notes:

1. We have not included the number of customers for the sale of lottery tickets through our offline shops which contributed to less than 1.0% of our total revenue throughout the Track Record Period.
2. Customers who have engaged us for more than one type of services were counted as one customer in each of the relevant business segments. For details of such customers, please refer to the paragraphs below.
3. The decrease in the number of our customers for the traditional marketing and promotion services was mainly due to a shift of our business focus to advertisement distribution services and advertisement placement services during the Track Record Period.
4. The number of customers for virtual goods sourcing and delivery services increased from 10 in FY2019 to 16 in FY2020 which was mainly due to the expansion in our product offerings.
5. The fluctuations in the number of customers for our mobile games and software development and maintenance services was mainly due to the fact that we provide software development services on a one-off project basis.
6. The increase in the number of customers for solutions on lottery-related software systems and equipment during the Track Record Period was mainly due to our acquisition of Xi'an Tiantai in July 2020.

During the Track Record Period, we have successfully expanded our customer base as well as retained our major customers. In particular, we established business relationship with 150 customers of our advertisement placement services upon the launch of such business in FY2021. Further, the number of our customers for solutions on lottery-related software systems and equipment also increased significantly following our acquisition of Xi'an Tiantai in 2020. On the other hand, we have a stable business relationship with our major customers. For examples, among our top five customers during the Track Record Period, we have commenced our business relationships with Customer Group A, Customer B, Customer H and Customer O prior to the Track Record Period. For details on our major customers, please refer to the paragraphs headed “Our Customers — Major Customers” in this section.

Our Directors believe that synergies had resulted from the parallel operations of our various business sub-segments during the Track Record Period. When we service our customers in any particular business sub-segment, we seek to demonstrate excellence and deliver our services to the satisfaction of our customers. It is our goal to inspire trust and confidence in terms of both our capabilities and dependability, such that the business relationships built with our customers in a particular business sub-segment could serve as the starting point for further engagements in our other business sub-segments, to the extent that such services could answer other business needs of the same customers. Therefore, during the Track Record Period, there were instances of cross-selling of our services under different business sub-segments to the same customers or groups of customers.

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The following table sets forth details of our customers or group of customers who engaged us for more than one type of services during the Track Record Period:

Business Segments	Year ended 31 December			Four months ended	
	2019	2020	2021	30 April	
	(RMB'000)	(RMB'000)	(RMB'000)	2022 (RMB'000)	
Customer Group A	1A(i) Traditional marketing and promotion services	23,453	6,242	-	-
	2A. Mobile games and software development and maintenance services	9,650	7,939	9,520	3,537
		<u>33,103</u>	<u>14,181</u>	<u>9,520</u>	<u>3,537</u>
Customer Group C	1A(i) Traditional marketing and promotion services	14,877	-	-	-
	2A. Mobile games and software development and maintenance services	641	-	-	-
		<u>15,518</u>	<u>-</u>	<u>-</u>	<u>-</u>
Customer Group E	1A(i) Traditional marketing and promotion services	2,450	783	150	38
	2A. Mobile games and software development and maintenance services	2,485	-	-	-
		<u>4,935</u>	<u>783</u>	<u>150</u>	<u>38</u>
Customer Group K	1B. Virtual goods sourcing and delivery services	2,986	8,956	1,174	1,018
	2A. Mobile games and software development and maintenance services	-	-	811	38
		<u>2,986</u>	<u>8,956</u>	<u>1,985</u>	<u>1,056</u>
Customer N	1A(i) Traditional marketing and promotion services	-	5,660	2,830	-
	1B. Virtual goods sourcing and delivery services	-	-	3,344	-
		<u>-</u>	<u>5,660</u>	<u>6,174</u>	<u>-</u>

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During the Track Record Period, we had provided promotion and advertising services together with mobile game and software development and maintenance services to Customer A1 as a bundle to facilitate its acquisition of new users for its mobile game. For details, please refer to the paragraphs headed “Our Customers — Major Customers — Our relationship with Customer Group A — Transactions between our Group and Customer Group A during the Track Record Period — 1. Transactions with Customer A1” in this section, and the section headed “Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — 2. Revenue from our IT Solutions Services — (i) Mobile Game and Software Development and Maintenance Services” in this document. Other than the above, there was no arrangement for provision of our marketing and promotion services and IT solutions services as a bundle to our customers during the Track Record Period.

Going forward, we see the potential for the strengthening of synergies among our multiple business sub-segments in the following manners, among others:

- we aim to further develop and operate our SaaS enterprise marketing service platform as a means to expand our marketing channels; leveraging our information technology capability and the access we have gained to the vast network of lottery sales points in the PRC through provision of solutions on lottery-related software systems and equipment, our SaaS enterprise marketing service platform will initially cover lottery retail stores. We intend to integrate and deploy our existing marketing channels and platforms to provide the lottery retail stores with a series of marketing and promotion services for user acquisition, engagement and/or retention purposes. Specifically, we will (i) assist the lottery retail stores with conducting marketing and promotion activities vis-à-vis lottery buyers on a mass scale via online channels; (ii) connect the mobile apps of lottery institutions to our relevant self-operated platforms, and increase their lottery buyer base and user traffic of their mobile apps through provision of our promotion and advertising services and virtual goods sourcing and delivery services; and (iii) connect the lottery retail stores to our relevant self-operated platforms to enhance their operational efficiency in areas such as lottery buyer management. We therefore stand to expand our marketing operations in the lottery industry in the PRC, which will create opportunities for cross-selling of our marketing and promotion services and IT solutions services to the relevant marketing participants. For further details, please refer to the paragraphs headed “Our Business Strategies — Developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels” in this section; and
- we will endeavour to promote our advertisement distribution services to enterprise advertisers engaging our advertisement placement services. By cross-selling our advertisement distribution services and advertisement placement services, we will not only arrange for the advertisements of enterprise advertisers to be published and displayed on the online platforms operated by the media publishers, but also connect the enterprise advertisers with mobile app operators and causing their advertisements to be distributed to fitting mobile apps through our RegoAd SDK. We could therefore facilitate the effective reaching of target audience by our customers contemporaneously through dual means.

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Major Customers

Due to the different types of services we provide, we recognise our revenue either on a gross basis or on a net basis. When we provide traditional marketing and promotion services, advertisement distribution services and IT solutions services, we act as a principal and record our revenue on a gross basis, whereas, when we provide our advertisement placement services which involve the placing of advertisement on large-scale media publishers and our virtual goods delivery and sourcing services, we act as an agent and record our revenue on a net basis. For the basis of our revenue recognition policies, please refer to the section headed “Financial Information — Critical Accounting Policies, Estimates and Judgements — Revenue Recognition” and note 4.13 in Appendix I to this document.

For FY2019, FY2020, FY2021 and 4M2022, based on our revenue recognition policies as mentioned above, our five largest customers accounted for approximately 75.5%, 60.3%, 71.5% and 79.5% of our total revenue, while sales to our largest customer during the Track Record Period amounted to approximately RMB33.1 million, RMB17.9 million, RMB91.7 million and RMB37.3 million, representing 37.0%, 15.8%, 41.8% and 52.8% of our total revenue for the respective year. For the purpose of providing a better understanding of our business relationships with major customers, customers which were under common control or otherwise associated with each other at the relevant times have been grouped together and our sales to such customers have been aggregated in the tables below.

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The following tables set forth five largest customers based on revenue recognised on net basis in relation to our advertisement placement services and virtual goods sourcing and delivery services and on gross basis in relation to our other services (including traditional marketing and promotion services, advertisement distribution services and IT solutions services) during the Track Record Period:

For the year ended 31 December 2019

Customer	Products/Services sold to customer	Revenue generated from the sales RMB '000	% of our total revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
Customer Group A (Note 1)	Marketing and promotion services and mobile game and software development and maintenance services	33,103	37.0	Bank transfer	Five to 10 business days	2017	To the best of the knowledge of our Directors, we became acquainted with Customer Group A through Mr. Chen, who was introduced to one of the founders of Customer Group A (the “Customer Group A Founder”) at a business occasion in 2015. Please see the paragraphs headed “— Our relationship with Customer Group A” in this section below for further details.	To the best of the knowledge of our Directors, Customer Group A comprises two PRC companies founded and under common control by two individuals who are close partners and who established a group of companies principally engaged in the development, operation, marketing and promotion of online and mobile games, auctions and live streaming sales. The two companies comprising Customer Group A were established in 2015 and 2018, respectively, with around 15 employees each as at 31 December 2021, to the best of the knowledge of our Directors, and a registered share capital of RMB10 million each and headquartered in Zhejiang, which are principally engaged in the development and operation of online chess and card games platform, and the provision of promotion and marketing services for mobile game operators.

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For the year ended 31 December 2019

Customer	Products/Services sold to customer	Revenue generated from the sales RMB'000	% of our total revenue	Payment method	Credit terms	Commencement		Our business relationship with the customer	Background and profile of the customer
						year of our business relationship	Year(s)		
Customer Group C (Note 3)	Marketing and promotion services and mobile game and software development and maintenance service	15,519	17.4	Bank transfer	Seven to 10 business days	2017	To the best of the knowledge of our Directors, we became acquainted with Customer Group C through Mr. Tian, who was introduced to a shareholder of a company comprising Customer Group C via his industry connections at a social event. Our Group secured a business relationship with Customer Group C pursuant to business negotiations flowing therefrom.	Two PRC companies under the same group up to January 2020, comprising (i) a company established in 2002 with a registered share capital of RMB15 million which, to the best of the knowledge of our Directors, is principally engaged in mobile game and software development to government institutions, state-owned and private enterprises in the PRC with over 80 employees as at 31 December 2021 (“Customer C1”); and (ii) a company established in 2014 with a registered share capital of RMB4 million which was deregistered in January 2020 (“Customer C2”). Please see Note 3 below for further details on the principal business and shareholders of the companies comprising Customer Group C.	

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For the year ended 31 December 2019

Customer	Products/Services sold to customer	Revenue generated from the sales RMB'000	% of our total revenue	Payment method	Credit terms	Commencement		Background and profile of the customer
						year of our business relationship	Year(s)	
Customer B (Note 2)	Various virtual goods	9,344	10.5	Bank transfer	Prepayment	2017		<p>A China Top 100 Internet Company since 2015 recognised by the Internet Society of China and Information Centre of the Ministry of Industry and Information Technology of the PRC, established in 2007 with a registered share capital of RMB21.5 million and principally engaged in the research, development and operation of online board and card games, and the operation of a large-scale online competitive board and card gaming platform. To the best of the knowledge of our Directors, Customer B had around 1,800 employees as at 31 December 2021 and was founded and owned as to approximately 80% by a seasoned market player in the board and card games business and the computer hardware industry.</p> <p>To the best of the knowledge of our Directors, we became acquainted with Customer B through Mr. Chen, who was introduced to the founder and controlling shareholder of Customer B via his colleagues at Zhejiang Lande at a social event in 2011. Our Group secured a business relationship with Customer B pursuant to business negotiations flowing therefrom and commenced supplying virtual goods, which primarily comprise top-up for telecommunication services and gift cards of gas stations, as rewards for users of the large-scale online board and card game platform operated by Customer B in 2017 upon the development of our promotion and advertising services and mobile game and software development and maintenance services.</p>

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For the year ended 31 December 2019

Customer	Products/Services sold to customer	Revenue generated from the sales RMB'000	% of our total revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
Customer Group E (Note 4)	Marketing and promotion services and software development and maintenance services	4,935	5.5	Bank transfer	10 to 30 business days	2015	To the best of the knowledge of our Directors, we became acquainted with Customer Group E through Ms. Shao Lijun (邵麗君), the head of the department of interactive entertainment business of our Company, who had established business relationship with Customer Group E in her previous work experience. Our Group secured a business relationship with Customer Group E pursuant to business negotiations flowing therefrom, initially providing marketing services for rebate services offered by the said member company of Customer Group E in 2015 and gradually extending our marketing services in relation to other goods and services offered by other member companies of Customer Group E.	Four PRC subsidiaries of a major telecommunications service provider listed on the Main Board of the Stock Exchange and the New York Stock Exchange which is in turn majority-owned by the State-owned Assets Supervision and Administration Commission of the State Council. The four companies comprising Customer Group E are established between 1997 and 2012 with a combined registered share capital of over RMB700 million which, collectively, are principally engaged in the provision of integrated information services to enterprises and individual users, including value-added telecommunications services and e-reading platform services. To the best of the knowledge of our Directors, the companies comprising Customer Group E had over 1,500 employees in total as at 31 December 2021.

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For the year ended 31 December 2019

Customer	Products/Services sold to customer	Revenue generated from the sales RMB'000	% of our total revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
Customer F	Marketing and promotion services	4,534	5.1	Bank transfer	10 business days	2019	To the best of the knowledge of our Directors, we became acquainted with Customer F through Mr. Tian, who was introduced to the legal representative of Customer F at a social event during a business trip in Wuhan in 2019. Our Group secured a business relationship with Customer F pursuant to business negotiations flowing therefrom.	A PRC company established in 2011 with a registered share capital of RMB10 million and principally engaged in software development and the provision of marketing services across the PRC. To the best of the knowledge of our Directors, Customer F had over 20 employees as at 31 December 2021 and was wholly owned by an individual Independent Third Party who was a seasoned player in the internet industry.
Total		67,435	75.5					

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For the year ended 31 December 2020

Customer	Products/Services sold to customer	Revenue generated from the sales RMB'000	% of our total revenue	Payment method	Credit terms	Commencement		Background and profile of the customer
						year of our business relationship	Our business relationship with the customer	
Customer G	Advertisement distribution services	17,870	15.8	Bank transfer	30 calendar days	2020	To the best of the knowledge of our Directors, we became acquainted with Customer G through Mr. Zhang, who was introduced to the founder and controlling shareholder of Customer G at an industry event in early 2019, after which the parties explored business collaboration opportunities.	A PRC digital media marketing services provider established in 2014 with a registered share capital of RMB5 million and principally engaged in the provision of advertisement agency services to applications, and has business partnerships with major media publishers. To the best of the knowledge of our Directors, Customer G had around 30 employees as at 31 December 2021 and was founded and owned as to 92% by an individual Independent Third Party with extensive experience in accounting, finance and business management.
Customer B (Note 2)	Various virtual goods	17,049	15.1	Bank transfer	Prepayment to five business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer Group A (Note 1)	Marketing and promotion services and mobile game development and software maintenance services	14,181	12.5	Bank transfer	Five to 10 business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.

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For the year ended 31 December 2020

Customer	Products/Services sold to customer	Revenue generated from the sales RMB'000	% of our total revenue	Payment method	Credit terms	Commencement		Background and profile of the customer
						year of our business relationship	Our business relationship with the customer	
Customer H	Various virtual goods	9,966	8.8	Bank transfer	Prepayment to 90 calendar days	2018	To the best of the knowledge of our Directors, we became acquainted with the founder of Customer H during his previous work experience as the business manager of a major hotel management company listed on NASDAQ Global Select and the Main Board of the Stock Exchange. Our Group secured a business relationship with Customer H pursuant to business negotiations flowing therefrom.	A PRC company established in 2013 with a registered share capital of RMB10 million and principally engaged in the supply of virtual goods, provision of marketing and promotion services, software development and operational services to banks, insurance companies and commercial retail chains. To the best of the knowledge of our Directors, Customer H had around 25 employees as at 31 December 2021 and was founded and owned as to 95% by an individual Independent Third Party who had extensive experience in the marketing industry.

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For the year ended 31 December 2020

Customer	Products/Services sold to customer	Revenue generated from the sales RMB'000	% of our total revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
Customer I	Lottery-related IT Solutions Services	9,097	8.1	Bank transfer	30 to 60 calendar days	2020	To the best of the knowledge of our Directors, we commenced business relationship with Customer I through Mr. Xiao Yanteng, our executive Director, who was previously a co-worker with the controlling shareholder and legal representative of Customer I at a company in Shanghai. The parties entered into negotiations to explore business collaboration opportunities in the lottery industry thereafter.	A PRC company established in 2017 and headquartered in Shandong with a registered share capital of RMB10 million and principally engaged in the provision of internet security services mainly to large government enterprises. To the best of the knowledge of our Directors, Customer I had around 30 employees as at 31 December 2021 and its ultimate controlling shareholder was an individual Independent Third Party who was a seasoned player in the internet security services industry.
Total		68,163	60.3					

BUSINESS

For the year ended 31 December 2021

Customer	Products/Services sold to customer	Revenue generated from the sales	% of our total revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer G	Advertisement distribution services	91,741	41.8	Bank transfer	30 calendar days	2020	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer B (Note 2)	Various virtual goods	25,467	11.6	Bank transfer	Prepayment to five business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer J (Note 5)	Advertisement distribution services	13,660	6.2	Bank transfer	30 business days	2021	We applied to be an authorised distribution agent of Customer J through its standard agent recruitment process and formally commenced providing advertisement distribution services in 2021.	A PRC company established in 2000 with around 20,000 employees and a registered share capital of USD2 million, being a subsidiary of a blue chip Chinese multinational technology conglomerate operating a leading multi-purpose instant messaging, social media and mobile payment app listed on the Main Board of the Stock Exchange which is principally engaged in the provision of value-added services through internet and mobile platforms and online advertising services.
Customer H	Various virtual goods	13,568	6.2	Bank transfer	Prepayment to 90 calendar days	2018	Please refer to the disclosures above.	Please refer to the disclosures above.

BUSINESS

For the year ended 31 December 2021

Customer	Products/Services sold to customer	Revenue generated from the sales	% of our total revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer O	Lottery-related IT solutions services	12,559	5.7	Bank transfer	30% of contract sum to be paid upon signing of agreement; 50% upon receipt and acceptance of goods after preliminary inspection; 20% upon acceptance of goods after final inspection	2018	To the best of the knowledge of our Directors, the sales team of Xi'an Tiantai conducted research and visited Customer O, formally commencing business relationship through public tender thereafter.	A public institution in charge of the issuance, promotion and organisation of welfare lottery tickets in Shanxi Province, the PRC.
Total		156,995	71.5					

BUSINESS

For the four months ended 30 April 2022

Customer	Products/Services sold to customer	Revenue generated from the sales	% of our total revenue	Payment method	Credit terms	Commencement year of our business relationship with the customer	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer G	Advertisement distribution services	37,316	52.8	Bank transfer	30 calendar days	2020	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer B (Note 2)	Various virtual goods	8,363	11.8	Bank transfer	Prepayment to five business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer H	Various virtual goods	4,449	6.3	Bank transfer	Prepayment to 90 business days	2018	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer Group A (Note 1)	Mobile game and software development and maintenance services	3,537	5.0	Bank transfer	Five to 10 business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.

BUSINESS

For the four months ended 30 April 2022

Customer	Products/Services sold to customer	Revenue generated from the sales	% of our total revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer V	Lottery-related IT solutions services	2,581	3.6	Bank transfer	50% of contract sum to be paid within 10 calendar days of signing of agreement; 50% upon acceptance of goods after final inspection	2016	The parties became acquainted after our Group won a tender organised by Customer V in 2016.	A public institution in charge of the issuance, promotion and organisation of welfare lottery tickets in Heilongjiang Province, the PRC.
Total		56,246	79.5					

BUSINESS

For illustration purpose only, the following tables set forth our five largest customers based on the gross revenue in relation to all our services during the Track Record Period:

For the year ended 31 December 2019

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
		RMB '000	%			Year(s)		
Customer B (Note 2)	Various virtual goods	270,695	75.4	Bank transfer	Prepayment	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer Group A (Note 1)	Online marketing and promotion services and mobile game and software development and maintenance services	33,103	9.2	Bank transfer	Five to 10 business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer Group C (Note 3)	Marketing and promotion services and mobile game and software development and maintenance services	15,519	4.3	Bank transfer	Seven to 10 business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.

BUSINESS

For the year ended 31 December 2019

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer Group K (Note 6)	Various virtual goods	10,061	2.8	Bank transfer	Prepayment or five to seven business days	2018	To the best of the knowledge of our Directors, we were introduced to Customer Group K through an employee of our Group, who was a personal friend of the vice president of Customer Group K. Our Group secured a business relationship with Customer Group K pursuant to business negotiations flowing therefrom.	Two PRC companies owned as to 60% and 75% by the same individual who, to the best of the knowledge of our Directors, was an individual Independent Third Party with over 10 years of experience in the virtual goods industry. The two companies comprising Customer Group K are established in 2011 and 2014, respectively, with a combined registered share capital of over RMB60 million, around 60 employees in total as at 31 December 2021 to the best of the knowledge of our Directors and are principally engaged in the supply of virtual goods to banks and insurance companies as well as marketing campaign planning services.

BUSINESS

For the year ended 31 December 2019

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship with the customer	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer Group E (Note 4)	Marketing and promotion services and software development and maintenance services	4,935	1.4	Bank transfer	10 to 30 business days	2015	Please refer to the disclosures above.	Please refer to the disclosures above.
Total		334,313	93.1					

BUSINESS

For the year ended 31 December 2020

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
Customer B (Note 2)	Various virtual goods	RMB'000 420,125	64.0	Bank transfer	Prepayment to five business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer Group K (Note 6)	Various virtual goods	95,095	14.5	Bank transfer	Five to seven business days	2018	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer L	Various virtual goods	37,956	5.8	Bank transfer	Prepayment	2020	To the best of the knowledge of our Directors, we became acquainted with Customer L through Mr. Yang Lei, the general manager of our virtual goods sourcing and delivery services department, who was introduced to the founder and controlling shareholder of Customer L in December 2019 by industry connections. Our Group secured a business relationship with Customer L pursuant to business negotiations flowing therefrom and commenced supplying virtual goods to Customer L in August 2020.	A PRC company established in 2016 with a registered share capital of RMB10 million and principally engaged in media broadcasting and brand promotion as well as member benefits support services for insurance companies, banks and service providers. To the best of the knowledge of our Directors, Customer L had around 10 employees as at 31 December 2021; its founder and ultimate controlling shareholder was an individual Independent Third Party who was a seasoned player in the e-commerce industry.

BUSINESS

For the year ended 31 December 2020

Customer	Products/Services sold to customer	Gross revenue generated from the sales <i>RMB'000</i>	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship with the customer <i>Year(s)</i>	Our business relationship with the customer	Background and profile of the customer
Customer H	Various virtual goods	24,061	3.7	Bank transfer	Prepayment to 90 calendar days	2018	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer G	Advertisement distribution services	17,870	2.7	Bank transfer	30 calendar days	2020	Please refer to the disclosures above.	Please refer to the disclosures above.
Total		595,107	90.7					

BUSINESS

For the year ended 31 December 2021

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
Customer B (Note 2)	Various virtual goods	RMB'000 520,164	35.4 %	Bank transfer	Prepayment to five business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer M	Various virtual goods	121,006	8.2 %	Bank transfer	Seven business days	2021	To the best of the knowledge of our Directors, we were acquainted with Customer M through Mr. Yang Lei, the general manager of our virtual goods sourcing and delivery services department, who approached the general manager and controlling shareholder of Customer M in 2020 after introduction by industry connections. Our Group secured a business relationship with Customer M in December 2020 pursuant to business negotiations flowing therefrom and commenced supplying virtual goods to Customer M in January 2021.	A PRC company established in 2017 with a registered share capital of RMB20 million and principally engaged in the provision of loyalty points service and marketing campaign planning services to banks, insurance companies and e-commerce platforms. To the best of the knowledge of our Directors, Customer M had around 35 employees as at 31 December 2021 and was owned as to 80% by an individual Independent Third Party who was a seasoned player in the e-commerce industry.
Customer G	Advertisement distribution services	91,741	6.2 %	Bank transfer	30 calendar days	2020	Please refer to the disclosures above.	Please refer to the disclosures above.

BUSINESS

For the year ended 31 December 2021

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
Customer Group K (Note 6)	Various virtual goods and mobile game and software development and maintenance services	RMB'000 58,205	% 4.0	Bank transfer	Prepayment or five to seven business days for virtual goods and 30 business days for mobile game and software development and maintenance	Year(s) 2018	Please refer to the disclosures above.	Please refer to the disclosures above.

BUSINESS

For the year ended 31 December 2021

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer N	Offline marketing and promotion services and various virtual goods	50,956	3.5	Bank transfer	30 business days for offline marketing and promotion services and 10 business days for virtual goods	2020	To the best of the knowledge of our Directors, we were introduced to Customer N via industry connections. Our Group secured a business relationship with Customer N pursuant to business negotiations flowing therefrom, initially by our Group providing offline marketing and promotion services and extending to the provision of virtual goods thereafter.	A PRC company established in 2002 with a registered share capital of over RMB140 million and principally engaged in the operation of an online audio and radio platform with over 3,000 radio channels for online news, music and entertainment as well as anchor stations, audiobooks and podcasts. To the best of the knowledge of our Directors, Customer N had around 500 employees as at 31 December 2021; its founder and single largest shareholder was an entrepreneur specialising in the internet industry.
Total		842,072	57.3					

BUSINESS

For the four months ended 30 April 2022

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship with the customer	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer B (Note 2)	Various virtual goods	165,729	33.2	Bank transfer	Prepayment to five business days	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer Group K (Note 6)	Various virtual goods and mobile game and software development and maintenance services	93,015	18.7	Bank transfer	Prepayment or five to seven business days for virtual goods and 30 business days for mobile game and software development and maintenance	2018	Please refer to the disclosures above.	Please refer to the disclosures above.
Customer G	Advertisement distribution services	37,316	7.5	Bank transfer	30 calendar days	2020	Please refer to the disclosures above.	Please refer to the disclosures above.

BUSINESS

For the four months ended 30 April 2022

Customer	Products/Services sold to customer	Gross revenue generated from the sales	% of our total gross revenue	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the customer	Background and profile of the customer
		RMB'000	%			Year(s)		
Customer W	Various virtual goods	23,967	4.8	Bank transfer	Prepayment	2021	Customer W found our Group online and approached us for business collaboration as part of their business development efforts.	A PRC company established in 2016 with a registered share capital of USD200 million and principally engaged in SaaS solutions for local lifestyle service providers. To the best of the knowledge of our Directors, Customer W had around over 1,000 employees as at 30 April 2022 and was wholly owned by a Hong Kong-incorporated private company.
Customer X	Advertisement distribution services	20,959	4.2	Bank transfer	Prepayment to 30 calendar days	2021	The founder of Customer X previously established a business relationship with an employee of our Group who previously worked at a cloud-based commerce and marketing solutions services provider listed on the Main Board of the Stock Exchange.	A PRC company established in 2021 with a registered share capital of RMB5 million and principally engaged in advertisement placement services. To the best of the knowledge of our Directors, Customer X had around 20 employees as at 30 April 2022 and was wholly owned by an individual Independent Third Party who was a seasoned player in the advertising industry.
Total		340,986	68.4					

BUSINESS

Notes:

- (1) For details of our relationship with Customer Group A, please refer to the paragraphs headed “Our relationship with Customer Group A” in this section.
- (2) Since 2017, Customer B has engaged us for the sourcing and delivery of virtual goods, which primarily comprise top-up for telecommunication services and gift cards of gas stations. To the best of the knowledge, information and belief of our Directors, these virtual goods are used as rewards and incentives by Customer B in the course of operating its online board and card gaming platform and other mobile games. Users and players may exchange points accumulated on such platform or in such games for these virtual goods. For FY2019, FY2020, FY2021 and 4M2022, or gross profit margin from the transactions with Customer B was 64.2%, 74.5%, 87.9% and 89.5%, respectively. The increase in profit margin was mainly due to the facts that (i) Customer B only acquired our top-up for telecommunication services in FY2019 and it started to acquire gift cards of gas station from us from FY2020, which had a higher gross profit margin than top-up for telecommunication services; and (ii) we have expanded our supplier base for top-up for telecommunication services which allowed us to procure such virtual goods at a lower cost.

During the Track Record Period, Customer B had held minority interest in Zhejiang Lande, a company then indirectly controlled by Mr. Chen. Mr. Tian also held approximately 2.3% in Zhejiang Lande during the Track Record Period. Zhejiang Lande was established on 28 July 2010 and has been principally engaged in venture capital investments in the technology, media and telecommunication sector. As confirmed by Mr. Chen, he became acquainted with the founder of Customer B in or around 2011. The founder of Customer B considered that the investment in Zhejiang Lande would provide valuable investment opportunities to Customer B, which was also engaged in internet related business. Accordingly, Customer B invested in Zhejiang Lande as a passive investor in June 2012. To the best of the knowledge, information and belief of our Directors and as confirmed by Mr. Chen, save as aforesaid, there is no other transaction or dealing between Customer B and Mr. Chen, whether directly or indirectly through Zhejiang Lande. As at the Latest Practicable Date, each of Customer B, Mr. Chen and Mr. Tian had ceased to have any equity interest in Zhejiang Lande.

- (3) Customer Group C comprises two companies which were fellow subsidiaries with Jiangxi Yunjia prior to our acquisition of Jiangxi Yunjia in January 2018. Please see “History, Development and Reorganisation — Our Corporate History and Development — Former Major Subsidiaries of Our Group — Jiangxi Yunjia” in this document for further details.

During the period from December 2015 to 9 January 2020, Customer C1 was held as to 60% by Jiangxi Tiansheng (the parent company of Jiangxi Yunjia prior to our acquisition in January 2018 and 40% by an Independent Third Party (who is, to the best of the knowledge of our Directors, an experienced player in the telecommunication industry) from December 2015 to 9 January 2020. Customer C1 was deregistered on 9 January 2020. Prior to its deregistration, such customer was principally engaged in the provision of marketing services in connection with AliPay (支付宝), including the provision of assistance to physical stores in joining and operating the payment platform of AliPay. To the best knowledge, information and belief, the business of such customer was substantially affected by a change in policy of AliPay in respect of its services providers. As a result, shareholders of such customer had decided to cease its business operation and deregistered the company. During FY2019, Customer C2 was held as to 60% by Jiangxi Tiansheng, who transferred its entire equity interests in Customer C2 to an Independent Third Party in April 2020. The remaining shareholder holding 40% of Jianxi Tiansheng was a former employee of our Group who, to the best of the knowledge of our Directors, had approximately 20 years of experience in the information technology industry.

- (4) Customer Group E comprises four subsidiaries of a joint stock limited liability company incorporated in the PRC with limited liability, which was listed on the Stock Exchange and the New York Stock Exchange and principally engaged in the provision of fundamental telecommunications, at the relevant times.
- (5) Customer J and Supplier W are both wholly-owned subsidiaries of a Chinese multinational technology conglomerate and the operator a leading multi-purpose instant messaging, social media and mobile payment app which is listed on the Main Board of the Stock Exchange. Please see “— Overlapping Customers and Suppliers” in this section for further details.
- (6) Customer Group K comprises two companies which, as at the Latest Practicable Date, were owned as to 60% and 75%, respectively, by the same individual Independent Third Party.

BUSINESS

During the Track Record Period, certain of our customers fell within our five largest customers for more than one year/period, namely Customer Group A, Customer B, Customer G, Customer H and Customer Group K. Our competitive edge in retaining these customers, as acknowledged by themselves, primarily include our quality of service, commercial reputation and competitive pricing of our services. Some customers further acknowledged our longstanding business relationship with them and sufficient downstream channel resources as reasons they continue to engage us for our services.

To the best of the knowledge of our Directors, none of our Directors, their close associates, or our Shareholders who/which owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our top five customers during the Track Record Period at the relevant times.

Our relationship with Customer Group A

Customer Group A consists of (i) a company principally engages in the operation of an online game platform (“**Customer A1**”); and (ii) a company principally engages in the promotion and advertising of online games (“**Customer A2**”).

Shareholders of Customer Group A

To the best knowledge, information and belief of the Directors, each of the companies comprising the Customer Group A were beneficially controlled by Customer Group A Founder and another individual (“**Mr. Y**”, together with the Customer Group A Founder, the “**Customer Group A Beneficial Shareholders**”), each of which is an Independent Third Party. Mr. Chen was introduced to the Customer Group A Founder in 2015 at the annual meeting of a company (“**Company X**”) in which Mr. Chen had indirectly invested. At the relevant time, the Customer Group A Founder was the Head of New Media Department of Company X. To the best of the knowledge of our Directors, save as disclosed below, there is no other past or present relationships (including, without limitation, business, shareholding, employment, family, trust, financing, fund flows or otherwise) between (i) Customer Group A, its shareholders, directors, senior management and employees or any of their associates; and (ii) the Company, its subsidiaries, their shareholders, directors, senior management, employees or any of their respective associates.

The registered shareholder holding 90% and 100% of Customer A1 and Customer A2, respectively, is an Independent Third Party and the registered shareholder of the remaining 10% of Customer A1 was a former employee of the Group, who become a minority shareholder of Customer A1 after he had left his employment with our Group. To the best of the knowledge of our Directors, each of the registered shareholders of Customer A1 and Customer A2 has been holding their respective equity interests in Customer Group A as a nominee of the Customer Group A Beneficial Shareholders. Saved as disclosed, none of the registered shareholders of Customer A1 and Customer A2 has any relationship or side agreement, arrangement or understanding with the Group, its Shareholders, Directors, senior management or any of their respective associates.

BUSINESS

To the best knowledge, information and belief of the Directors, (i) Customer A1 was established with the personal funding of the Customer Group A Beneficial Shareholders, which was primarily generated from income from their previous employments and businesses; and (ii) no registered capital of Customer A2 had been paid-up and its initial working capital was provided by Customer A1.

Transactions between our Group and Customer Group A during the Track Record Period

1. Transactions with Customer A1

We commenced business relationship with Customer A1 in 2017, when we were engaged by Customer A1 to provide promotion and advertising services to acquire new users for the PC version of its online game platform offering poker, mahjong and fishing games (the “**Game Platform**”).

As confirmed by Customer A1, the growth in the number of users of the Game Platform had slowed down in 2017 due to, among other things, the growing popularity of mobile games among game players. With a view to explore the possibility of developing into a mobile game operator, we approached Customer A1 for the potential cooperation in the development of the APP version of the Game Platform (the “**Customer A1 APP**”), and the provision of the related promotion and advertising and IT solutions services to the Customer A1 APP. Accordingly, Customer A1 entered into an agreement with us in November 2017, pursuant to which (i) Customer A1 agreed to engage us to provide promotion and advertising services for acquisition of new users in the capacity as an enterprise advertiser and IT solutions services for the Customer A1 APP; and (ii) Customer A1 and our Group shall be entitled to 60% and 40% of the users’ spending on the Customer A1 APP, respectively (the “**Profit Sharing Arrangement**”). Subsequently in 2019, Customer A1 decided not to further engage us for promotion and advertising services to the Customer A1 APP and proposed to reduce the Group’s profit share under the Profit Sharing Arrangement to 20% on the basis that a substantial portion of the users of the Customer A1 APP were actually originated from the PC version of the Game Platform. After several rounds of negotiations, it was eventually agreed that, as a packaged deal, (i) we were no longer required to provide promotion and advertising services to the Customer A1 APP and our profit sharing ratio under the Profit Sharing Arrangement shall be adjusted to 25%; and (ii) we shall acquire from Customer A1 copyrights of three online games. For further details of our acquisition in respect of the three online games, please refer to the section headed “Financial information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Research and development expenses” in this document.

BUSINESS

Our Directors consider that the transactions between us and Customer A1 in respect of the Customer A1 APP, and particularly the Profit Sharing Arrangement, have been conducted on an arm's length basis and on reasonable terms on the following basis:

- (a) The Profit Sharing Arrangement was determined having taken into account the respective roles of our Group and Customer A1. In particular, Customer A1 was entitled to 60% of the total users' spending under the initial Profit Sharing Arrangement given that it is the owner who created the core contents of the Game Platform and the Customer A1 APP. On the other hand, we were entitled to 40% of the total users' spending on the Customer A1 APP and such ratio did not only represent the service fees for our promotion and advertising services and IT solutions services, but also reflected our involvement from the initial stage of development of the Customer A1 APP and the associated costs incurred by us;
- (b) following the adjustment in the Profit Sharing Arrangement commencing from May 2019, our share of the total users' spending on the Customer A1 APP decreased to 25%. Despite that we were no longer required to provide marketing and promotion services to the Customer A1 APP, we are of the view that, apart from the on-going IT solutions services provided by us, the adjusted Profit Sharing Arrangement continues to reflect our services provided for the development of Customer A1 APP before it was launched to the market. In addition, we are of the view that our IT solutions services are essential to the operation of the Customer A1 APP and it would be very costly for Customer A1 to replace us with other IT support service providers given that (i) we have been responsible for all the maintenance, upgrades and other technical supports of the Customer A1 APP since its launch; and (ii) we are in possession of all the core source code and compiled code of the Customer A1 APP and Customer A1 would not be able to make amendments to the Customer A1 APP on its own; and
- (c) according to iResearch, it is not uncommon for service providers in the mobile game development and operation industry to charge on a proportion of users' spending on the online games and the market rate ranged from 20% to 60% of the total users' spending on the relevant online games depending on the scope of services provided.

Our gross profit margin from transactions with Customer A1 was 63.2%, 63.2%, 71.1% and 71.4% for FY2019, FY2020, FY2021 and 4M2022, respectively. During the initial period after the launch of the Customer A1 APP in 2018, we have incurred higher labour costs for the provision of IT solutions services and traffic acquisition costs for the provision of promotion and advertising services. As (i) we are no longer required to provide promotion and advertising services to the Customer A1 APP since May 2019; and (ii) we were able to reduce the manpower allocated to the provision of IT solution services for the Customer A1 APP as its operation has become more stable when time goes by, and accordingly our cost of sale associated with the transactions with Customer A1 decreased which in turn resulted in an increase in our gross profit margin.

BUSINESS

2. *Transactions with Customer A2*

In 2018, we were engaged by Customer A2, in the capacity as an advertising agent, to provide promotion and advertising services for acquisition of new users for an online mahjong game (the “**Relevant Mahjong Game**”). As confirmed by Customer A2, it was engaged by Customer B (being a China Top 100 Internet Company principally engaged in the research, development and operation of board and card games and a large-scale competitive gaming platform) as an advertising agent to acquire new users for the Relevant Mahjong Game at the consideration of RMB10.0 for each new user acquired. Customer A2 subcontracted the promotion and advertising services for the Relevant Mahjong Game to us as it did not have sufficient experience or connection in the provision of promotion and advertising services. Pursuant to the agreement entered into between our Group and Customer A2, we were entitled to RMB9.8 for each new user acquired. We further subcontracted the promotion and advertising services for the Relevant Mahjong Game to our downstream suppliers at a cost of RMB7.4 to RMB8.4.

Despite that we generated a higher gross profit margin than Customer A2 in the promotion and advertising of the Relevant Mahjong Game, our Directors are of the view that the transactions between us and Customer A2 have been conducted on an arm’s length basis and on reasonable terms on the following basis:

- (a) Customer A2 subcontracted the entire promotion and advertising services for the Relevant Mahjong Game to us without procuring any user on its own or conducting any actual works or incurring any substantial costs in its transaction with Customer B in respect of the promotion of the Relevant Mahjong Game;
- (b) we have extensive experience and connections with suppliers in providing promotion and advertising services for acquisition of mobile games players, in particular, for board and chess games and fishing games;
- (c) the gross profit margin derived by us from the transactions with Customer A2 (being 28.2% and 24.5% for FY2019 and FY2020, respectively) was comparable to similar projects of the Group. During the Track Record period, we have provided promotion and marketing services for user acquisition for four other online board and chess games and fishing games and our gross profit margin from the relevant transactions ranged from 22.4% to 25.0%; and
- (d) as confirmed by Customer A2, the profit margin derived by Customer A2 for the promotion of the Relevant Mahjong Game was similar to its other projects.

Since April 2020, Customer A2 had ceased its cooperation with us regarding the promotion and advertising services for the Relevant Mahjong Game because to the best knowledge, information and belief of our Directors, the upstream customer of Customer A2 (i.e. Customer B) had ceased to engage Customer A2 to conduct promotion for the Relevant Mahjong Game.

BUSINESS

3. Transaction amounts with Customer Group A

Set forth below are details of our revenue attributable to the transactions with Customer Group A and the percentage to our total revenue during the periods indicated:

	For the year ended 31 December						Four months ended 30 April	
	2019		2020		2021		2022	
	<i>RMB'000</i>	<i>Percentage to our total revenue (%)</i>	<i>RMB'000</i>	<i>Percentage to our total revenue (%)</i>	<i>RMB'000</i>	<i>Percentage to our total revenue (%)</i>	<i>RMB'000</i>	<i>Percentage to our total revenue (%)</i>
Customer A1	9,650	10.8	7,939	7.0	9,520	4.3	3,537	5.0
Customer A2	23,453	26.2	6,242	5.5	-	-	-	-
TOTAL	33,103	37.0	14,181	12.5	9,520	4.3	3,537	5.0

The decrease in our revenue from Customer Group A since FY2020 was mainly attributable to (i) the decrease in revenue generated from Customer A1 after the downward adjustment of our share under the Profit Sharing Arrangement from 40% to 25% from May 2019; (ii) a shift of our business focus away from the online game industry since FY2019 in view of the uncertain regulatory environment of the online game industry in the PRC; and (iii) the cessation of our business relationship with Customer A2 from April 2020.

Customers and suppliers of Customer Group A

As confirmed by Customer Group A, during the Track Record Period, the customers of Customer A1 were individual players of the Customer A1 APP and the Game Platform and its suppliers mainly comprised companies providing technical supports and promotion services. On the other hand, the customer of Customer A2 is a sizable online game operator, which is also one of our major customers during the Track Record Period (i.e. Customer B) and its suppliers were mainly marketing and promotion services providers. To the best knowledge, information and belief of our Directors, (i) Customer Group A collectively recorded a total revenue of over RMB60 million, over RMB60 million, over RMB70 million and over RMB20 million for each of the three years ended 31 December 2021 and the four months ended 30 April 2022, respectively; (ii) the Group was one of the largest suppliers of Customer Group A during the Track Record Period; and (iii) apart from Customer B, who was an overlapping customer of our Group and Customer Group A, there were two overlapping suppliers between our Group and Customer Group A, both of which were suppliers of our advertisement placement services. The aggregated transaction amounts between our Group and the overlapping suppliers amounted to approximately RMB188,700, RMB471,700, RMB18,300 and RMB400 in each of the three years ended 31 December 2021 and the four months ended 30 April 2022, respectively.

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Customer Group A further confirmed that, (i) we were the only supplier of IT solutions services of Customer A1 during the Track Record Period and approximately 49.9%, 52.9%, 57.2% and 50.7% of the total procurement costs of marketing and promotion and IT support of Customer A1 for FY2019, FY2020, FY2021 and 4M2022, respectively, were attributable to transactions with our Group; and (ii) we were one of the two and five suppliers of promotion and advertising services to Customer A2 in FY2019 and FY2020, respectively, and approximately 97.8% and 25.7% of the total procurement costs for marketing and promotion services of Customer A2 for FY2019 and FY2020, respectively, were attributable to the services provided by us.

Affiliated company of Customer A1

To the best of the knowledge of our Directors, the Customer Group A Beneficial Shareholders also beneficially control another customer of our Group, which was principally engaged in the development of online games (“**Customer A3**”) We have entered into an agreement with Customer A3 for the cooperation in the development and promotion of a HTML5 online game in 2017. As such online game was unable to retain a large number of users due to delays in technical updates, the transaction amounts between the Group and Customer A3 remained very insignificant during the Track Record Period, which amounted to approximately RMB2,000 in FY2019. The parties ceased to operate such online game in 2019.

Customer A3 was held as to 79% by Mr. Y and as to 21% by two Independent Third Party who are passive investors. As confirmed by the Customer Group A Beneficial Owners, (i) they were collectively interested in the 79% equity interests in Customer A3; and (ii) the initial funding for the establishment of Customer A3 was jointly provided by the Customer Group A Beneficial Owners. The Customer Group A Beneficial Owners had further confirmed that suppliers of Customer A3 mainly comprise marketing and promotion service providers and the transaction amount with our Group amounted to approximately 0.5% of its procurement costs for marketing and promotion services in FY2019.

Cooperation between Mr. Chen and Customer Group A Founder outside of our Group

In November 2017, Mr. Chen (our Director and Controlling Shareholder) invested in a company, namely Hangzhou Yunxi Property Co., Limited* (杭州雲希置業有限公司) (“**Yunxi Property**”) together with the Customer Group A Founder and the controlling shareholder of Company X (“**Mr. X**”), who is an Independent Third Party. Since its establishment, Yunxi Property was held as to 30% by Mr. Chen, 30% by the Customer Group A Founder and 40% by Mr. X. As confirmed by each of Mr. Chen, the Customer Group A Founder and Mr. X, it was Mr. X who initiated the cooperation in Yunxi Property as the local government of the Fuyang district offered to grant to Yunxi Property the land use right for the development a piece of land situated in the Fuyang District (the “**Relevant Land**”). As a condition of offering the Relevant Land to Yunxi Property, the local government requested Mr. X to procure the relocation of Company X to the Fuyang district. As Company X eventually decided not to relocate to the Fuyang district, Yunxi Property was unable to obtain the Relevant Land. Yunxi Property was subsequently deregistered in October 2020.

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Mr. Chen confirmed that, he agreed to invest in Yunxi Property as a passive investor as he was interested in the business opportunities in the property development in the Fuyang district. Each of Mr. Chen, the Customer Group A Founder and Mr. X further confirmed that, Yunxi Property had no actual operation since its establishment.

Our Directors confirm that, Mr. Chen’s proposed investment in Yunxi Property was conducted in his personal capacity and was not related to any transactions between our Group and Customer Group A.

Transactions with customers related to our former employees, Controlling Shareholders or their relatives

During the Track Record Period, we have entered into transactions with certain customers, of which the shareholder(s) and/or director(s) was or were our former employee(s), Controlling Shareholder(s) and/or their relatives (the “**Other Related Customers**”). The aggregate transaction amounts with the Other Related Customers amounted to approximately 23.4%, 0.9%, 0.4% and 0.3% of our total revenue in FY2019, FY2020, FY2021 and 4M2022, respectively.

Set forth below are details of our transactions with the Other Related Customers during the Track Record Period:

	Year ended 31 December						Four months ended 30 April	
	FY2019		FY2020		FY2021		2022	
	<i>Profit</i> RMB'000	<i>margin (%)</i>	<i>Profit</i> RMB'000	<i>margin (%)</i>	<i>Profit</i> RMB'000	<i>margin (%)</i>	<i>Profit</i> RMB'000	<i>margin (%)</i>
Traditional promotion and marketing								
Customer P	1,793	9.5	-	-	-	-	-	-
Zhejiang Yuanxing	1,597	93.8	959	62.3	658	43.8	242	100.0
Customer C2	14,877	22.4	-	-	-	-	-	-
Customer Q	837	100.0	-	-	-	-	-	-
Virtual goods sourcing and delivery services								
Customer R	-	-	15	100.0	18	100.0	2	100.0
Customer S	6	100.0	3	100.0	156	100.0	-	-

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	Year ended 31 December						Four months ended 30 April	
	FY2019		FY2020		FY2021		2022	
	RMB'000	Profit margin (%)	RMB'000	Profit margin (%)	RMB'000	Profit margin (%)	RMB'000	Profit margin (%)
Mobile games and software development and maintenance services								
Customer C1	641	62.2	-	-	-	-	-	-
Customer T	28	58.1	-	-	-	-	-	-
Solutions on lottery-related software systems and equipment								
Customer U	1,122	11.6	-	-	-	-	-	-
Total	<u>20,901</u>		<u>977</u>		<u>832</u>		<u>244</u>	

Customer P

Customer P is principally engaged in development and operation of online games. We commenced business relation with Customer P in July 2019. We became acquainted with Customer P through its then sole shareholder, Mr. Xie Jianping (“**Mr. Xie**”), who was also a minority shareholder of Hangzhou Gongjia (which in turn held equity interests in Hangzhou Rego prior to October 2017). The current sole director and shareholder of Customer P was an employee of our Group during the period from October 2018 to November 2019. Such former employee became acquainted with Mr. Xie during his employment with our Group and he acquired Customer P in April 2020 after he had left his employment with our Group. Accordingly, the former employee had not become a shareholder of Customer P at the time when we commenced business with Customer P.

Pursuant to the agreement entered into between Customer P and our Group, Customer P engaged us to provide traditional promotion and marketing services to acquire new users for an online game under CPA pricing model at RMB13 per each new user acquired. During the Track Record Period, the service fees charged by us for user acquisition for online games and APP ranged from RMB9.8 to RMB20.0 per each new user acquired. In addition, according to iResearch, the price range of user acquisitions for APPs and/or other online platform may range from RMB8 to RMB30 depending on the manner and requirements of the registration and marketing channels. Accordingly, the fees charged by us under the transactions with Customer P fall within the range of our fee charged for our projects under CPA pricing model as well as the market price range. On the other hand, the overall gross profit margin of our traditional marketing and promotion services was approximately 34.9% for FY2019. We have recorded a relatively lower gross profit margin from our transactions with Customer P mainly because we provided our marketing and promotion services through advertisement placement which involved a higher cost whilst the advertisement placement was not as effective as expected in terms of the number of new users acquired.

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Zhejiang Yuanxing

As at the Latest Practicable Date, Zhejiang Yuanxing was owned as to 33.3% by Hangzhou Lande Youshi Venture Capital Partnership (Limited Partnership)* (杭州蘭德優勢創業投資合夥企業(有限合夥)) (“**Hangzhou Lande**”), whose management partner was a company controlled by Mr. Chen, 40% by Zhang Jing (張璟), the nephew of Mr. Chen who acquired such equity interests from an Independent Third Party in April 2022, and 26.7% by Mr. Xie. For details of Zhejiang Yuanxing and its transactions with our Group, please refer to the section headed “Connected Transaction” in this document.

We commenced business relationship with Zhejiang Yuanxing in 2016. Pursuant to the agreement entered into between Zhejiang Yuanxing and us, Zhejiang Yuanxing engaged our Group to acquire users for certain mobile value-added services by mobile carriers and our Group entitled to 90% of the fees received by Zhejiang Yuanxing from the mobile carriers. Notwithstanding that the Group did not engage in other projects of traditional marketing and promotion services with a comparable pricing mechanism with that of our transactions with Zhejiang Yuanxing, we considered that such pricing mechanism and the rate of service fees are reasonable as Zhejiang Yuanxing had subcontracted to us and we conducted substantially all the works in connection with the services provided to the mobile carriers. On the other hand, we recorded a higher gross profit margin of approximately 93.8% from the transactions with Zhejiang Yuanxing in FY2019 because the relevant services were mainly conducted by our own staff and the relevant staff costs were mainly recorded in our selling and distribution expenses. We recorded a decrease in gross profit margin from our transactions with Zhejiang Yuanxing in FY2020 and FY2021 as we have engaged downstream suppliers to provide the marketing and promotion services. During 4M2022, we recorded a gross profit margin of 100.0% for revenue generated from Zhejiang Yuanxing because we did not provide or engage any suppliers to provide promotion and advertising services to Zhejiang Yuanxing in 4M2021 and the revenue was only generated from users acquired through us in previous years.

Customer C2

We commenced business relationship with Customer C2 in 2018. We provided marketing and promotion services for user acquisition of an online game at RMB9.8 per each new users acquired. During the Track Record Period, the service fees charged by us for user acquisition for online games and APP ranged from RMB9.8 to RMB20.0 per each new user acquired. In addition, according to iResearch, the price range of user acquisitions for APPs and/or other online platform may range from RMB8 to RMB30. Therefore, the fee charged by us under the transactions with Customer fall within the range of our fee charged for our projects under CPA pricing model as well as the market price range. On the other hand, our gross profit margin derived from the transactions with Customer C2 of approximately 22.4% was also in line with the gross profit margin of our other transactions for user acquisition for online games with Customer A2 (being 28.2% and 24.5% for FY2019 and FY2020, respectively).

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At the time when we commenced business relationship with Customer C2, it was held as to 60% by Jiangxi Tiansheng and 40% by Mr. Deng Fengwei (“**Mr. Deng**”) and Customer C2 was a fellow subsidiary of Jiangxi Yunjia prior to our acquisition of Jiangxi Yunjia in January 2018. For details of the acquisition, please refer to the section headed “History, Development and Reorganisation — Our Major Subsidiaries — Jiangxi Yunjia” in this document. As part of the acquisition of Jiangxi Yunjia, our Group and Jiangxi Tiansheng (the then shareholder of Jiangxi Yunjia and Customer C1) agreed that a team of experienced technical staff from Jiangxi Tiansheng (the “**Jiangxi Tiansheng Technical Team**”) would also join us to assist in the establishment of the internal technical team of Jiangxi Yunjia. Accordingly, Mr. Deng joined our Group in January 2018 as a member of the Jiangxi Tiansheng Technical Team. Please refer to the paragraphs headed “Major Customers” in this section for further details on the background of the commencement of our business relationship with Customer Group C.

Customer Q

We commenced business relationship with Customer Q in 2018. We became acquainted with Customer Q through Mr. Chen and Mr. Tian, our executive Directors, who held minority interests in Customer Q prior to February 2021. Customer Q engaged us to acquire users for its APP in relation to sport games under the CPA pricing model at RMB20 per each new user acquired. The fee charged by us under the transactions with Customer Q was higher than that of other projects of our traditional marketing and promotion services because the services provided to Customer Q involved onsite marketing of its APP at the offline lottery sale points operated by our staff. As confirmed by iResearch, offline marketing and promotion services would normally involve a higher costs than online services. Further, our Directors had taken into account the nature of the APP of Customer Q when determining the price. As confirmed by iResearch, it is relatively more difficult to acquire users for APP relating to sport games as compared to other apps such as online games. We mainly promoted the APP at the offline lottery sale points operated by our staff, and the relevant staff costs were mainly recorded in our selling and distribution expenses we have therefore recorded gross profit margin of 100.0% from the relevant transactions. As confirmed by Mr. Chen and Mr. Tian, despite their minority shareholdings in Customer Q, they were not involved in the daily operation of Customer Q or its transactions with our Group.

Customer R

As at the Latest Practicable Date, Customer R was held as to 30% by Hangzhou Gongjia, a former shareholder of Hangzhou Rego prior to October 2017 and currently wholly-owned by Zhang Jing (張璟), the nephew of Mr. Chen. As confirmed by the majority shareholder of Customer R (who held 70% of the equity interests in Customer R), he became acquainted with our Group through Mr. Yang Lei, the general manager of our virtual goods sourcing and development services, as they were former colleagues with each other. We commenced business relationship with Customer R in 2020, pursuant to which we provided the sourcing and delivery service of train tickets to Customer R at a fixed price per each ticket. The revenue generated from Customer R, if measured on a gross basis, amounted to RMB72,282, RMB92,356 and RMB10,335 for FY2020, FY2021 and 4M2022, respectively. Our gross profit margin, as derived from the gross revenue, from the transactions with Customer R was

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approximately 20.8%, 19.5% and 20.0% for FY2020, FY2021 and 4M2022, respectively, was higher than the overall gross profit margin of our virtual goods sourcing and delivery services (calculated on gross basis) of approximately 4.4%, 7.7%, 5.5% and 4.9% for FY2019, FY2020, FY2021 and 4M2022, respectively. The low overall gross profit margin was mainly due to the relatively low gross profit margin of our major virtual goods services, i.e. top-up for telecommunication services. Our gross profit margin from transactions under our virtual goods sourcing and delivery services may vary depending on the virtual goods supplier to our customers. While we have not supplied train tickets to other customers, we also recorded a gross profit margin of approximately 20.0% to 30.0% from transactions of gift cards of online music or video platforms and memberships of online healthcare and medical services.

Customer S

Since April 2017 and up to the Latest Practicable Date, Customer S had been owned as to approximately 6.1% by Hangzhou Gongjia. We commenced business relationship with Customer S in 2018 and become acquainted with Customer S through Mr. Chen, who was then a controlling shareholder of Hangzhou Gongjia. During the Track Record Period, Customer S mainly acquired lottery tickets (in virtual claim form) from us at a fixed price of RMB2.2 per each ticket, which was in line with the price charged by us in other transactions of the same nature. The revenue generated from Customer S, if measured on a gross basis, amounted to RMB154,187, RMB98,373, RMB6,602,282 and nil for FY2019, FY2020, FY2021 and 4M2022, respectively. Our gross profit from the transactions with Customer S, as measured on a gross basis, was approximately 3.9%, 3.0%, 2.3% and nil for FY2019, FY2020, FY2021 and 4M2022, which was slightly lower than the overall average gross profit margin of our virtual goods sourcing and delivery services, as measured on a gross basis.

Customer C1

We commenced business relationship with Customer C1 in 2017 when Customer C1 engaged us to develop software in respect of an online game platform. Mr. Yu Genqiang (“**Mr. Yu**”) had been the sole director of Customer C1 since September 2015. Mr. Yu joined the Group in March 2018 as a member of the Jiangxi Tiansheng Technical Team while remaining as the director of Customer C1. Please refer to the paragraphs headed “Major Customers” in this section for further details on the background of the commencement of our business relationship with Customer Group C. We recorded a gross profit margin of 62.2% from our transactions with Customer C1, which was in line with our overall gross profit margin of the mobile game and software development and maintenance services of 63.3% for FY2019.

Customer T

Customer T was owned by two former employees of our Group. Based on the interviews conducted with such former employees, they jointly set up Customer T in November 2018 with a view to established their own business. Customer T engaged our Group to develop an APP and the server in April 2019. We recorded a gross profit margin of 58.1% from our transactions with Customer T, which was in line with our overall gross profit margin of the mobile game and software development and maintenance services.

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Customer U

Since December 2019 and up to the Latest Practicable Date, Customer U was wholly-owned by two former employees of our Group. Such former employees become acquainted with our Group during the course of their employment with us and they subsequently left their employment with our Group to pursue their own business. In December 2019, we entered into an agreement with Customer U for the supply of certain equipment for lottery sale. We recorded a relatively lower gross profit margin of approximately 11.6% from our transactions with Customer U as compared to our overall gross profit margin for solutions on lottery-related software systems and equipment of approximately 58.4%, 44.7% and 64.7% for FY2020, FY2021 and 4M2022, respectively, mainly because the equipment for lottery sale provided by us in FY2019 were relatively simple and had lower technical requirements as compared to our lottery related software systems and equipment after the acquisition of Xi’an Tiantai.

Mr. Tian and Mr. Chen were the shareholders of Hangzhou Yuntian Information Technology Co., Ltd.* (杭州雲天信息技術有限公司) (“**Hangzhou Yuntian**”), the then sole shareholder of Customer U prior to January 2018 and they subsequently disposed their equity interests in Hangzhou Yuntian to Mr. Lin Fei, who is an Independent Third Party. As confirmed by the former employees, they become aware of the investment opportunity in Customer U through Mr. Lin Fei and neither Mr. Tian nor Mr. Chen was involved in their acquisition of or the business operation of Customer U.

Our Directors consider that all the transactions with the Other Related Customers during the Track Record Period had been entered into on arm’s length basis and conducted on normal commercial terms which are fair and reasonable, on the following basis:

- (a) the pricing mechanism in most of the transactions with the Other Related Customers were similar to our other comparable projects entered into with our other customers who are Independent Third Parties; and
- (b) despite that our fee charge and gross profit margin may vary depending on, among other things, the services or products provided, the scale, duration and arrangement of the individual projects, the fees charged by us in our transactions with the Other Related Customers and/or our gross profit margin derived therefrom were generally in line with our other similar projects and/or market rates or varies with valid commercial reasons.

Please also refer to Note 33 to the Accountants’ Report for our material related parties’ transactions during the Track Record Period.

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OUR SUPPLIERS

During the Track Record Period, our suppliers mainly comprised (i) channel agents and marketing channel providers offering advertising space and services, in our traditional marketing and promotion services and advertisement placement services; (ii) distribution agents and mobile app operators offering advertising space in their apps where advertisement contents can be displayed, in our advertisement distribution services; (iii) suppliers of virtual goods including various electronic top-up coupons and gift coupons; and (iv) IT development companies providing software, hardware and related technical supports such as installation and/or maintenance services for our lottery-related software systems and equipment solutions. Please refer to the paragraphs headed “Our Business Model — 1. Marketing and Promotion Services” and “Our Business Model — 2. IT Solutions Services” in this section for details.

The following table sets forth the total number of our suppliers of each of our business segments during the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
	2019	2020	2021	2022
1. Marketing and promotion services				
1A. Promotion and advertising services				
(i) Traditional marketing and promotion services	19	14	5	2
(ii) Advertisement placement services	–	–	54	30
(iii) Advertisement distribution services	–	4	14	6
1B. Virtual goods sourcing and delivery services	5	22	24	21
Sub-total	24	40	97	59
2. IT solutions services				
2A. Mobile games and software development and maintenance services <i>(Note)</i>	–	–	–	–
2B. Solutions on lottery-related software systems and equipment	8	18	32	7
Sub-total	8	18	32	7
Total	32	58	129	66

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Note: We do not have any suppliers for our mobile games and software development and maintenance services and our sale of lottery tickets through offline shops as we provided the relevant services through our own staff. Nevertheless, our mobile games and software development and maintenance services had incurred traffic acquisition costs of RMB0.4 million in FY2019, representing the fees paid to our suppliers of marketing channels in connection with our mobile games development and maintenance services provided to a customer within Customer Group A, which was bundled with our promotion and advertising services for acquisition of new users. For details, please refer to the section headed “Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — 2. Revenue from our IT Solutions Services — (i) Mobile Game and Software Development and Maintenance Services” in this document.

Major suppliers

For the three years ended 31 December 2021 and for 4M2022, based on our revenue recognition policies as referred to in the paragraph headed “Financial Information — Critical Accounting Policies, Estimates and Judgements — Revenue Recognition” whereby our revenue attributable to our advertisement placement services and virtual goods sourcing and delivery services are recognised on a net basis after deducting the related purchase cost while the revenue and purchase costs for the other services are recognised on a gross basis, our five largest suppliers accounted for approximately 74.2%, 65.1%, 74.2% and 83.3% of our total purchases, while purchases from our largest supplier in each year during the Track Record Period amounted to approximately RMB16.4 million, RMB12.6 million, RMB68.5 million and RMB26.1 million, representing 36.8%, 33.9%, 62.6% and 76.8% of our total purchases for the respective year/period. For the purpose of providing a better understanding of our business relationships with major suppliers, suppliers which were under common control or otherwise associated with each other at the relevant times have been grouped together and our purchases from such suppliers have been aggregated in the tables below.

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The following tables set forth our five largest suppliers based on purchase costs being offset with revenue recognised on net basis in relation to our advertisement placement services and virtual goods sourcing and delivery services and on gross basis in relation to our other services (including traditional marketing and promotion services, advertisement distribution services and IT solutions services) during the Track Record Period:

For the year ended 31 December 2019

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
Supplier Group F (Note 3)	Marketing and promotion services	16,429	36.8	Bank transfer	10 business days	2019	To the best of the knowledge of our Directors, we became acquainted with Supplier Group F through Mr. Tian, whose personal friend was a core employee working in one of the companies of Supplier Group F. Our Group secured a business relationship with Supplier Group F pursuant to business negotiations flowing therefrom.	Four PRC companies under the same group established between 2010 and 2015 with a combined registered share capital of over RMB38 million which, collectively, are principally engaged in the provision of marketing and promotion services in relation to mobile games and e-sports. To the best of the knowledge of our Directors, Supplier Group F had over 500 employees in total as at 31 December 2021. Please refer to Note 4 below for further information on the shareholders of Supplier Group F.

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For the year ended 31 December 2019

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier Group A (Note 1)	Marketing and promotion services	8,381	18.8	Bank transfer	10 business days	2018	To the best of the knowledge of our Directors, we first came into with Supplier Group A through Mr. Tian, who was introduced to the founder and controlling shareholder of Supplier Group A through a mutual friend. Our Group secured a business relationship with Supplier Group A pursuant to business negotiations flowing therefrom in 2017 and commenced business relations with Supplier Group A in 2018.	Two PRC companies under common ownership between August 2016 and April 2018, comprising (i) a company established in 2014 with a registered share capital of RMB6 million and, to the best of the knowledge of our Directors, more than 10 employees as at 31 December 2021 ("Supplier A1"); and (ii) a company established in 2016 with a registered share capital of RMB1 million which was deregistered in November 2020 ("Supplier A2") which, collectively, are principally engaged in the provision of enterprise agency, business development and marketing services, refer to Note 1 below for further information on the background of the shareholders of Supplier Group A.

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For the year ended 31 December 2019

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier B	Marketing and promotion services	5,449	12.2	Bank transfer	10 business days	2018	To the best of the knowledge of our Directors, we were introduced to Supplier B through Mr. Tian, who was introduced to the founder and controlling shareholder of Supplier Group A through a mutual friend. The founder of Supplier Group A, who was an employee of Supplier B, introduced our Group to Supplier B and our Group secured a business relationship pursuant to business negotiations flowing therefrom.	A PRC company established in 2009 with a registered share capital of over RMB65 million, which is principally engaged in technological systems development and the provision of marketing and promotion services. To the best of the knowledge of our Directors, Supplier B had not more than 200 employees as at 31 December 2021; its founder and largest individual shareholder, who was an Independent Third Party, had more than 20 years' experience in the banking technology industry. The single largest shareholder of Supplier B was a wholly-owned subsidiary of the operator of a major bank card scheme in the PRC.

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For the year ended 31 December 2019

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier G	Marketing and promotion services	2,002	4.5	Bank transfer	10 business days	2019	To the best of the knowledge of our Directors, we became acquainted with Supplier G through Mr. Tian, who was introduced to the supplier by his friends within the industry in 2018. Our Group secured a business relationship with Supplier G pursuant to business negotiations flowing therefrom.	A PRC company established in 2014 with a registered share capital of RMB1 million, which was principally engaged in the provision of marketing and promotion services and software development prior to its deregistration in December 2021. To the best of the knowledge of our Directors, it was owned as to 90% by an individual Independent Third Party who had extensive experience in the software development industry prior to its deregistration.

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For the year ended 31 December 2019

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier H	Marketing and promotion services	868	1.9	Bank transfer	Prepayment	2019	To the best of the knowledge of our Directors, we were introduced to the legal representative and chairman of Supplier H by a friend within the industry in 2018. Our Group secured a business relationship with Supplier H pursuant to business negotiations flowing therefrom.	A PRC company established in 2013 with a registered share capital of over RMB10 million which is principally engaged in advertising services and advertising platform agency. To the best of the knowledge of our Directors, Supplier H had around 15 employees as at 31 December 2021; its founder and largest shareholder was an Independent Third Party with extensive experience in game development and operation and in the advertising industry.
Total		33,129	74.2					

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For the year ended 31 December 2020

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier I	Provision of advertising space on apps and online platforms	12,589	33.9	Bank transfer	30 business days	2020	To the best of the knowledge of our Directors, we became acquainted with Supplier I through Mr. Zhang, our executive Director and chief operating officer, who was introduced to the controlling shareholder of Supplier I in a business event in January 2020. Our Group secured a business relationship with Supplier I pursuant to business negotiations flowing therefrom.	A PRC company established in 2020 with a registered share capital of RMB500,000 which is principally engaged in the provision of advertisement agency services. To the best of the knowledge of our Directors, Supplier I had around 10 employees as at 31 December 2021; it was owned as to 98% by an individual Independent Third Party who had more than 10 years' experience in the internet industry.
Supplier Group F (Note 3)	Marketing and promotion services	5,295	14.2	Bank transfer	10 business days	2019	Please refer to the disclosures above.	Please refer to the disclosures above.

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For the year ended 31 December 2020

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier J	Lottery system hardware products	2,942	7.9	Bank transfer	60 calendar days	2016	To the best of the knowledge of our Directors, the technical department and business department of Xi'an Tiantai, upon research, shortlisting and discussion, agreed on the engagement of Supplier J. Xi'an Tiantai then reached out to and commenced business relationship with Supplier J.	A PRC company established in 2003 with a registered share capital of RMB5 million which is principally engaged in the research and development of lottery-related and internet communication equipment. To the best of the knowledge of our Directors, Supplier J had around 40 employees as at 31 December 2021 and was owned as to 88% by an individual Independent Third Party who was a seasoned player in the internet security industry.

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For the year ended 31 December 2020

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier K	Lottery-related IT solutions services and products	2,015	5.4	Bank transfer	45 calendar days	2020	To the best of the knowledge of our Directors, we were acquainted with Supplier K through a referral from a client of Supplier K in or around 2019. Our Group secured a business relationship with Supplier K pursuant to business negotiations flowing therefrom in 2020.	A PRC company established in 1993 with operating income of approximately RMB1.3 billion for each of FY2019 and FY2020, net profit of approximately RMB20 million for FY2019 and RMB18 million for FY2020, net assets of approximately RMB2.4 billion as at 31 December 2019 and 2020, around 2,000 employees as at 31 December 2020 and a registered share capital of over RMB600 million, which is listed on the Shenzhen Stock Exchange and principally engaged in the research and development of secure payment systems, according to its public disclosures. Supplier K was owned directly as to approximately 17.04% by its founder and single largest shareholder as at the Latest Practicable Date.

BUSINESS

For the year ended 31 December 2020

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier L	Lottery system hardware products	1,366	3.7	Bank transfer	30 calendar days	2016	To the best of the knowledge of our Directors, the technical department and business department of Xi'an Tiantai, upon research, shortlisting and discussion, agreed on the engagement of Supplier L. Xi'an Tiantai then reached out to and commenced business relationship with Supplier L.	A PRC company established in 2003 with a registered share capital of RMB15 million, which is principally engaged in research, development and production of computer hardware. To the best of the knowledge of our Directors, Supplier L had around 25 employees as at 31 December 2021 and its ultimate controlling shareholders were three individual Independent Third Parties who serve as the executive director, general manager and supervisor of the same, respectively.
Total		24,207	65.1					

BUSINESS

For the year ended 31 December 2021

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier I	Provision of advertising space on apps and online platforms	68,485	62.6	Bank transfer	30 business days	2020	Please refer to the disclosures above.	Please refer to the disclosures above.
Supplier Y	Lottery system hardware products	5,081	4.6	Bank transfer	Within three months after acceptance of goods	2021	To the best of the knowledge of our Directors, we were acquainted with Supplier Y through Mr. Li Yi (李翀), a former vice president of Xi'an Tiantai. Our Group secured a business relationship with Supplier Y pursuant to business negotiations flowing therefrom.	A PRC company established in 1999 with operating income of approximately RMB550 million for FY2019 and RMB667 million for FY2020, net profit of approximately RMB23 million for FY2019 and RMB57 million for FY2020, net assets of approximately RMB284 million for FY2019 and RMB339 million for FY2020, over 700 employees as at 31 December 2020 and a registered share capital of over RMB80 million, which is listed on the National Equities Exchange and Quotations and principally engaged in the development, manufacturing and sales of IoT smart terminals and enterprise-class network equipment, according to its public disclosures. Supplier Y was owned as to approximately 54.40% by its largest shareholder, which was in turn owned as to approximately 74.04% by the chairman and general manager of Supplier Y, as at the Latest Practicable Date.

BUSINESS

For the year ended 31 December 2021

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier Group N (Note 4)	Provision of advertising space on apps and online platforms	2,978	2.7	Bank transfer	30 business days	2021	To the best of the knowledge of our Directors, we became acquainted with Supplier Group N through Mr. Zhang Yongli, our executive Director and chief operating officer, who was introduced to the founder and controlling shareholder of Supplier Group N through the ultimate controlling shareholder of Supplier I in 2021. The controlling shareholder of Supplier Group N is the owner of two apps, for which Supplier I provides agency services. Our Group secured a business relationship with Supplier Group N pursuant to business negotiations flowing therefrom. To the best of the knowledge, information and belief of our Directors, there is no shareholding relationship or between Supplier I and Supplier Group N or their respective shareholders.	Two PRC companies under the same group both established in 2020 and with a combined registered share capital of over RMB1 million, which are collectively principally engaged in online marketing. To the best of the knowledge of our Directors, Supplier Group N had around 25 employees in total as at 30 April 2022; the founder and ultimate controlling shareholder of Supplier Group N was an individual Independent Third Party who had extensive experience in the areas of games, internet and e-commerce.

BUSINESS

For the year ended 31 December 2021

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier M	Provision of advertising space on apps and online platforms	2,371	2.2	Bank transfer	30 business days	2020	To the best of the knowledge of our Directors, we became acquainted with Supplier M through Mr. Zhang Yongli, our executive Director and chief operating officer, who was introduced to the general manager of Supplier M by the controlling shareholder of Supplier I in 2021 after we have commenced business relationship with Supplier I. Our Group secured a business relationship with Supplier M pursuant to business negotiations flowing therefrom. To the best of the knowledge, information and belief of our Directors, there is no shareholding relationship between Supplier I and Supplier M or their respective shareholders.	A PRC company established in 2020 with a registered capital of RMB500,000, which is principally engaged in app development. To the best of the knowledge of our Directors, Supplier M had around 10 employees as at 31 December 2021; its ultimate controlling shareholder was a supervisor of the same, a seasoned investor in the information technology segment holding seven companies engaged in such area and an Independent Third Party.
Supplier J	Lottery system hardware products	2,222	2.1	Bank transfer	60 calendar days	2016	Please refer to the disclosures above.	Please refer to the disclosures above.
Total		81,137	74.2					

BUSINESS

For the four months ended 30 April 2022

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier I	Provision of advertising space on apps and online platforms	26,121	76.8	Bank transfer	30 business days	2020	Please refer to the disclosures above.	Please refer to the disclosures above.
Supplier Group N (Note 4)	Provision of advertising space on apps and online platforms	1,508	4.4	Bank transfer	30 business days	2021	Please refer to the disclosures above.	Please refer to the disclosures above.
Supplier CC	Traditional marketing and promotion services	312	0.9	Bank transfer	Prepayment	2022	Our Group and Supplier CC became acquainted at an industry event in early 2022.	A PRC company established in 2017 with a registered capital of RMB10 million and principally engaged in advertisement placement services targeting local communities. To the best of the knowledge of our Directors, Supplier CC had over 150 employees as at 30 April 2022 and was owned as to 80% by its executive director, general manager and legal representative and an Independent Third Party.

BUSINESS

For the four months ended 30 April 2022

Supplier	Products/ Services procured from supplier	Purchase costs	% of our total purchases	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier L	Lottery system hardware products	240	0.7	Bank transfer	60% of the contract sum to be paid upon signing of agreement; 40% to be paid within 30 business days after final inspection and acceptance of goods	2016	Please refer to the disclosures above.	Please refer to the disclosures above.
Supplier AA	Lottery ticket sales operation services	175	0.5	Bank transfer	Three to 30 business days	2021	Supplier AA was a fellow subsidiary of Xi'an Tiantai prior to our acquisition of Xi'an Tiantai in July 2020. We procured lottery-related IT solutions services and products from them after the acquisition.	A PRC company established in 2019 with a registered share capital of RMB10 million and principally engaged in the sales of lottery tickets. To the best of the knowledge of our Directors, Supplier AA had around five employees as at 30 April 2022 and indirectly owned as to approximately 62.34% by Tiantai Huitou.
Total		28,356	83.3					

BUSINESS

For illustration purpose only, the following tables set forth our five largest suppliers based on the gross purchase costs in relation to all our services during the Track Record Period:

For the year ended 31 December 2019						
Supplier	Products/ Services procured from supplier	Gross purchase costs	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship
		RMB'000	%			Year(s)
Supplier Group C (Note 2)	Supply of various virtual goods	261,753	85.5	Bank transfer	Prepayment	2017
						<p>To the best of the knowledge of our Directors, we were acquainted with Supplier Group C through Mr. Tian, who was a colleague of one of the controlling shareholders of Supplier Group C in his previous work experience at Zhejiang Lian Lian Technology Company Limited* (浙江連連科技有限公司). Our Group secured a business relationship with Supplier Group C pursuant to business negotiations flowing therefrom in January 2017 and commenced providing marketing and promotion services to Supplier Group C in October 2017.</p> <p>Three PRC companies under common ownership by two individuals, established between 2013 and 2017 with a combined registered share capital of RMB25 million, which are collectively principally engaged in the supply of virtual goods and the provision of marketing and promotion services. To the best of the knowledge of our Directors, Supplier Group C had approximately 100 employees in total as at 31 December 2021. Please refer to Note 2 below for further information on the shareholders of Supplier Group C.</p>

BUSINESS

For the year ended 31 December 2019

Supplier	Products/ Services procured from supplier	Gross purchase costs	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier Group F (Note 3)	Online marketing and promotion services	16,429	5.4	Bank transfer	10 business days	2019	To the best of the knowledge of our Directors, we became acquainted with Supplier Group F through Mr. Tian, whose personal friend was a core employee working in one of the companies of Supplier Group F. Our Group secured a business relationship with Supplier Group F pursuant to business negotiations flowing therefrom.	Four PRC companies under the same group established between 2010 and 2015 with a combined registered share capital of over RMB38 million which, collectively, are principally engaged in the provision of marketing and promotion services in relation to mobile games and e-sports. To the best of the knowledge of our Directors, Supplier Group F had over 500 employees in total as at 31 December 2021. Please refer to Note 4 below for further information on the shareholders of Supplier Group F.
Supplier Group A (Note 1)	Online marketing and promotion services	8,381	2.7	Bank transfer	10 business days	2018	Please refer to the disclosures above.	Please refer to the disclosures above.

BUSINESS

For the year ended 31 December 2019

Supplier	Products/ Services procured from supplier	Gross purchase costs	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier Q	Various virtual goods	7,075	2.3	Bank transfer	Prepayment	2019	To the best of the knowledge of our Directors, we were acquainted with Supplier Q through Mr. Xia Yuanbo, the vice president of operations of our Group, who was introduced to its person-in-charge of telecommunications business Supplier Q by a mutual friend in 2017. Our Group secured a business relationship with Supplier Q pursuant to business negotiations flowing therefrom.	A PRC company established in 2010 with a registered share capital of RMB10 million, which is principally engaged in the supply of virtual goods. To the best of the knowledge of our Directors, Supplier Q had not more than 50 employees as at 31 December 2021 and was owned as to 90% by its general manager and legal representative, who had experience in corporate governance and investments in various industries and was an Independent Third Party.
Supplier B	Online marketing and promotion services	5,449	1.8	Bank transfer	10 business days	2018	Please refer to the disclosures above.	Please refer to the disclosures above.
Total		299,087	97.7					

BUSINESS

For the year ended 31 December 2020

Supplier	Products/ Services procured from supplier	Gross purchase costs	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
Supplier Group C (Note 2)	Various virtual goods	311,672	54.3	Bank transfer	Prepayment	2017	Please refer to the disclosures above.	Please refer to the disclosures above.
Supplier R	Various virtual goods	67,975	11.9	Bank transfer	Prepayment	2020	To the best of the knowledge of our Directors, we were acquainted with Supplier R through Mr. Zhang Yongli, our executive Director and chief operating officer, who was a personal friend of the former sole shareholder of Supplier R. Our Group secured a business relationship with Supplier R pursuant to business negotiations flowing therefrom in early 2020 and commenced sourcing virtual goods from Supplier R in October 2020.	A PRC company established in 2020 with a registered share capital of RMB5 million, which is principally engaged in the research and development of technology in relation to e-commerce operations. To the best of the knowledge of our Directors, Supplier R had not more than 50 employees as at 31 December 2021 and had been wholly owned by an individual Independent Third Party who was a passive investor from the time of its establishment and up to October 2021.

BUSINESS

For the year ended 31 December 2020

Supplier	Products/ Services procured from supplier	Gross purchase costs	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier S	Various virtual goods	37,147	6.5	Bank transfer	Prepayment	2020	To the best of the knowledge of our Directors, we were acquainted with Supplier S in an industry business conference in early 2017, when our staff representatives met with an employee working at the state-owned broadcaster which owned Supplier S. Our Group secured a business relationship with Supplier R pursuant to business negotiations flowing therefrom.	A PRC subsidiary of a prominent state-owned broadcaster established in 2010 with a registered share capital of RMB20 million, which is principally engaged in the development of mobile television business. To the best of the knowledge of our Directors, Supplier S had over 130 employees as at 31 December 2021.

BUSINESS

For the year ended 31 December 2020

Supplier	Products/ Services procured from supplier	Gross purchase costs	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier T	Various virtual goods	34,433	6.0	Bank transfer	Prepayment	2020	To the best of the knowledge of our Directors, we were acquainted with Supplier T through Mr. Yang Lei, the general manager of our Group's virtual goods sourcing and delivery services department, when he was introduced to the supervisor and operations director of Supplier T through business referral. Our Group secured a business referral with Supplier T pursuant to business negotiations flowing therefrom.	A PRC company established in 2018 with a registered share capital of RMB10 million, which is principally engaged in the provision of virtual goods. To the best of the knowledge of our Directors, Supplier T had around 10 employees as at 31 December 2021; it was owned as to 70% by its executive director, general manager and legal representative who had experience in the industry and as to 30% by its supervisor and operations director, both being Independent Third Parties.

BUSINESS

For the year ended 31 December 2020

Supplier	Products/ Services procured from supplier	Gross purchase costs	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
Supplier U	Various virtual goods	20,377	3.6	Bank transfer	Prepayment	2020	To the best of the knowledge of our Directors, we were acquainted with Supplier U through Mr. Li Binghua (李炳華), a former employee of our Group, who was introduced to the marketing director of Supplier U by a personal friend. Our Group secured a business relationship with Supplier U pursuant to business negotiations flowing therefrom.	A PRC company established in 2017 with a registered share capital of RMB1 million, which is principally engaged in the provision of virtual goods and the sales of appliances. To the best of the knowledge of our Directors, Supplier U had around 30 employees as at 31 December 2021 and was wholly owned by its executive director, general manager and legal representative who was an experienced player in the internet industry and an Independent Third Party.
Total		471,604	82.3					

BUSINESS

For the year ended 31 December 2021

Supplier	Products/ Services procured from supplier	Gross purchase costs recognised on gross basis	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		<i>RMB'000</i>	<i>%</i>			<i>Year(s)</i>		
Supplier R	Various virtual goods	490,082	36.3	Bank transfer	Prepayment	2020	Please refer to the disclosures above.	Please refer to the disclosures above.
Supplier W (Note 5)	Provision of advertising space on apps and online platforms	132,772	9.8	Bank transfer	Prepayment	2021	We engage the services of Supplier W in the course of our advertisement placement services. Given their vast user traffic, we have continuously procured advertising space on apps and online platforms offered by the parent company of Supplier W and its fellow subsidiaries.	A PRC company established in 2014 with a registered share capital of RMB5 million and a wholly-owned subsidiary of a blue chip Chinese multinational technology conglomerate and the operator of a leading multi-purpose instant messaging, social media and mobile payment app which is listed on the Main Board of the Stock Exchange which is principally engaged in the provision of value-added services through internet and mobile platforms and online advertising services.

BUSINESS

For the year ended 31 December 2021

Supplier	Products/ Services procured from supplier	Gross purchase costs recognised on gross basis	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier V	Various virtual goods	101,717	7.5	Bank transfer	Prepayment	2021	To the best of the knowledge of our Directors, we became acquainted with Supplier V through Ms. Shao Lijun (邵麗君), a head of the department of interactive entertainment business of our Company, who met an employee of Supplier V in a social event among members in the same industry as our Group in early 2019. Our Group secured a business relationship with Supplier V pursuant to business negotiations flowing therefrom.	A PRC company established in 2017 with a registered share capital of RMB10 million, which is principally engaged in the supply of virtual goods and the provision of related services. To the best of the knowledge of our Directors, Supplier V had around 30 employees as at 31 December 2021 and was wholly owned by an individual Independent Third Party who had more than 10 years' experience in the virtual goods business.

BUSINESS

For the year ended 31 December 2021

Supplier	Products/ Services procured from supplier	Gross purchase costs recognised on gross basis	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier X	Provision of advertising space on apps and online platforms	98,309	7.3	Bank transfer	Prepayment	2021	To the best of the knowledge of our Directors, we became acquainted with Supplier X through Mr. Zhang Liwen (張力文), a sales executive of our Company, who was a colleague of the executive director, general manager and legal representative of Supplier X at his previous working experience in a major provider of cloud- based commerce and marketing solutions provider in the PRC which is listed on the Main Board of the Stock Exchange. Our Group secured a business relationship with Supplier X pursuant to business negotiations flowing therefrom.	A PRC company established in 2019 with a registered share capital of RMB10 million, which is principally engaged in the provision of e-commerce operating services. To the best of the knowledge of our Directors, Supplier X had around 30 employees as at 31 December 2021; it was owned as to 70% by a passive investor and as to 30% by its executive director, general manager and legal representative, both being Independent Third Parties.

BUSINESS

For the year ended 31 December 2021

Supplier	Products/ Services procured from supplier	Gross purchase costs recognised on gross basis	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier Z	Provision of advertising space on apps and online platforms	88,679	6.6	Bank transfer	Prepayment	2021	To the best of the knowledge of our Directors, we were acquainted with Supplier Z through Mr. Wang Nan (王 楠), an employee of our Group, through his previous work experience in the Chinese multinational technology conglomerate which owns Supplier W and Customer J. Our Group secured a business relationship with Supplier Z pursuant to business negotiations flowing therefrom.	A PRC company established in 2019 with a registered capital of HK\$10 million which is principally engaged in the provision of advertisement agency services for large-scale e-commerce businesses. To the best of the knowledge of our Directors, Supplier Z had more than 400 employees as at 31 December 2021 and was wholly-owned by a private company incorporated in Hong Kong.
Total		911,559	67.5					

BUSINESS

For the four months ended 30 April 2022

Supplier	Products/ Services procured from supplier	Gross purchase costs recognised on gross basis	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier R	Various virtual goods	159,185	34.9	Bank transfer	Prepayment	2020	Please refer to the disclosures above.	Please refer to the disclosures above.
Supplier BB	Provision of advertising space on apps and online platforms	38,204	8.4	Bank transfer	Prepayment	2021	Our Group applied to be Supplier BB's authorised agent through its standard recruitment process.	A PRC company established in 2018 with a registered share capital of RMB10 million and a wholly-owned subsidiary of the operator of a major Chinese news and information content platform, which is in turn a wholly-owned subsidiary of one of a leading short-form video hosting service provider.
Supplier U	Various virtual goods	37,133	8.1	Bank transfer	Prepayment	2020	Please refer to the disclosures above.	Please refer to the disclosures above.
Supplier I	Provision of advertising space on apps and online platforms	26,121	5.7	Bank transfer	30 business days	2020	Please refer to the disclosures above.	Please refer to the disclosures above.

BUSINESS

For the four months ended 30 April 2022

Supplier	Products/ Services procured from supplier	Gross purchase costs recognised on gross basis	% of our total purchases on gross basis	Payment method	Credit terms	Commencement year of our business relationship	Our business relationship with the supplier	Background and profile of the supplier
		RMB'000	%			Year(s)		
Supplier X	Provision of advertising space on apps and online platforms	21,308	4.7	Bank transfer	Prepayment	2021	Please refer to the disclosures above.	Please refer to the disclosures above.
Total		281,951	61.8					

BUSINESS

Notes:

- (1) Supplier Group A comprises two PRC companies including (i) Supplier A1, which was partially owned between May 2014 and June 2019 and wholly owned since June 2019 and as at the Latest Practicable Date; and (ii) Supplier A2, which was partially owned between August 2016 and April 2018, respectively, by the same individual Independent Third Party who, to the best of the knowledge of our Directors, had over 10 years of experience in internet-related industries.
- (2) Supplier Group C comprises three PRC companies which were, as at the Latest Practicable Date, (i) owned as to 90% and 10% by two individual Independent Third Parties who, to the best of the knowledge of our Directors, were both seasoned players in the industry (known as “**Independent Third Party A**” and “**Independent Third Party B**”, respectively); (ii) owned as to 61.4% by Independent Third Party B; and (iii) directly partially owned as to 68% by Independent Third Party A and a holding company, which was in turn owned as to 55% by Independent Third Party A, respectively.
- (3) Supplier Group F comprises (i) a holding company owned by 25 different shareholders (the “**Holding Company**”), including as to approximately 11.53% by its single largest shareholder which is a venture capital partnership and as to approximately 8.16% by one of its directors and an entrepreneur shortlisted by Forbes China as a “rising star of entrepreneurship” among business leaders aged under 30 in 2015 (the “**Holdco Director**”); (ii) two of its subsidiaries which were owned as to 55% and 80% by the Holding Company, the former of which was deregistered in August 2020; and (iii) a fourth company owned by 21 different shareholders, including as to approximately 12.02% by the Holdco Director and 12.50% by its single largest shareholder, which is an investment partnership in turn owned as to approximately 8.33% by the Holdco Director as at the Latest Practicable Date.
- (4) Supplier Group N comprises two PRC companies which, as at the Latest Practicable Date, were both wholly-owned by the same company and in turn held as to 99.9% by the same individual Independent Third Party.
- (5) Supplier W and Customer J are both wholly-owned subsidiaries of a Chinese multinational technology conglomerate and the operator a leading multi-purpose instant messaging, social media and mobile payment app which is listed on the Main Board of the Stock Exchange. Please see “— Overlapping Customers and Suppliers” in this section for further details.

To the best of the knowledge of our Directors, none of our Directors, their close associates, our Shareholders who/which owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our top five suppliers during the Track Record Period at the relevant times.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, one of our five largest suppliers for each of the two years ended 31 December 2020 (on gross purchase costs basis), namely Supplier Group C, was also our customer. Further, one of our five largest suppliers (on gross purchase costs basis) and one of our five largest customers (on net revenue basis) for the year ended 31 December 2021, namely Supplier W and Customer J, are both wholly-owned subsidiaries of a Chinese multinational technology conglomerate which operates a leading multi-purpose instant messaging, social media and mobile payment app, and are both principally engaged in the provision of value-added services through internet and mobile platforms and online advertising services.

We engaged Supplier Group C for the provision of marketing and promotion services in relation to a mobile game which we provide IT solution services for, and procured virtual goods such as top-up coupons from Supplier Group C for our customers in our virtual goods sourcing and delivery business during the Track Record Period in the amounts shown in the tables in “— Our Suppliers” in this section.

BUSINESS

In the ordinary and usual course of our marketing and promotion business, we have been engaged by Supplier Group C to provide traditional offline marketing and promotion services to support the operation agency business then operated by Supplier Group C. We were engaged to promote the electronic payment systems operated by Supplier Group C's end customers during the year ended 31 December 2019. For the year ended 31 December 2019, we generated revenue of approximately RMB2.8 million, representing 3.2% of our total revenue during the corresponding year from our services provided to Supplier Group C.

We procured advertising space on mobile apps and online platforms from Supplier W in the amount of approximately RMB132.8 million and RMB1.9 million (on gross purchase costs basis) for our customers in our promotion and advertising services business during FY2021 and 4M2022, representing 9.8% and 0.4% of our total purchases during the corresponding year.

We supplied advertisement distribution services to Customer J which, as an operator of large-scale media platforms, would receive substantial volumes of advertising request and in turn engaged us possibly with increasing the advertising reach of its customers in mind during FY2020, FY2021 and 4M2022, generating revenue of approximately RMB0.6 million, RMB13.7 million and RMB0.2 million, respectively, representing 0.6%, 6.2% and 0.3% of our total revenue during the corresponding period.

The terms of our sales to and purchases from Customer W and Supplier J respectively were negotiated on an individual basis and the sales and purchases were neither inter-connected or inter-conditional with each other. Our Directors confirmed that all of our sales to Customer W and purchases from Supplier J were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

Our Directors confirmed that negotiations of the salient terms of our sales to and purchases from each of Supplier Group C, Supplier W and Customer J were conducted separately and the sales and purchases did not involve the same products/services. As a result, the sales and purchases in question were incidental transactions, neither inter-connected with nor inter-conditional upon each other or otherwise considered as one transaction. The terms of transactions with each of Supplier Group C, Supplier W and Customer J were similar to those with our other customers and suppliers, which our Directors considered to be normal commercial terms.

To the best knowledge and belief of our Directors, each of Supplier Group C, Supplier W and Customer J is an Independent Third Party. None of our Group, Directors, senior management, employees, any Shareholder who, to the best knowledge of our Directors, owns more than 5% of our issued capital, or their respective close associates has any interest in Supplier Group C, Supplier W or Customer J during the Track Record Period. Save as disclosed above, to the best knowledge of our Directors, (i) none of our five largest customers were also our supplier; and (ii) none of our five largest suppliers were also our customer during the Track Record Period.

BUSINESS

MARKETING AND BUSINESS DEVELOPMENT

Our sales and marketing team is responsible for customer maintenance on a regular basis and ensuring that the expectations of our customers are fulfilled with satisfactory feedbacks. We ensure that our different teams collaborate closely to monitor market trends for the purpose of establishing an extensive and effective network within the PRC. We usually target customers with good reputation, leading status in their respective industry, and sufficient cash flow and repayment capability.

OUR TECHNOLOGY AND INFRASTRUCTURE

Our IT Infrastructure

Our IT infrastructure is supported by external cloud storage providers. We have maintained cooperation with two cloud computing companies in the PRC, all of which deploy reliable servers that are able to secure data storage. These data storage providers support our vast and growing database. As part of our precautionary measures, we have adopted a recovery system to avoid collapse of our operations by the unfortunate demise of a single channel agent or marketing channel provider.

Our Quality Control and Research and Development Team

We have a dedicated team of quality control and research and development professionals who are responsible for developing the user interface design of the software modules and platforms and monitoring our system services. Our quality control team consists of three subdivisions, being administration, testing and file keeping subdivisions. The quality control team members review our products and services to maintain the consistency and quality of solutions we present to our customers.

As at 30 April 2022, we had a research and development team with 68 members, of which 43 held an undergraduate qualification and five had a master qualification. To the best of our knowledge, our research and development team has, on average, eight years of working experience. For each year/period during the Track Record Period, our total research and development expenses amounted to RMB7.8 million, RMB9.4 million, RMB18.6 million and RMB4.8 million, respectively. As a part of our acquisition of Xi’an Tiantai in July 2020, we have also acquired 40 research and development staffs, who were mainly responsible for the development of lottery-related software systems and equipment. Among the 65 research and development staffs employed by our Group as at the Latest Practicable Date, nine of them were responsible for the development of our SaaS enterprise marketing service platform as at the Latest Practicable Date. For further details of our SaaS platform, please refer to “Our Business Strategies — Developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels” in this section. As mentioned in the paragraphs headed “Our Business Strategies — Developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels” and “Our Business Model — 1. Marketing and Promotion Services — 1A. Promotion and Advertising Services — 1(A)(iii)

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Advertisement Distribution Services (Delivered through Mobile App Operators) — Key Operating Processes — Distribution of advertisements through RegoAd SDK — Our RegoAd SDK” in this section, we are dedicated to further develop expand the coverage of our marketing and promotion businesses through IT, with our in-house-developed software development kit for placement of advertisements already in operation and a further SaaS enterprise marketing service platform in our plans. We regard the constant advancement of our technology crucial to our present and future operations. We have taken measures to keep up with the latest developments in our industry, such as collaborating with a leading university on product development, and attending various seminars and forums on blockchain, AI and other advanced technology related to our businesses.

Both of our quality control and research and development teams are led by Mr. Ming Lu, who has 19 years of experience in the fields of IT and research and development. Mr. Lu previously worked at various PRC companies principally engaged in IT system development, consultancy and services with the position of IT Department manager. Mr. Lu is responsible for the internal information system of our operations and development of various software platforms.

Driven by the demands from advertisers under the growing competition in the online marketing industry, our quality control and research and development team are focused on strengthening the use of big data, 5G, block chain and AI technology, as well as to recruit a team of seasoned AI experts to support the functioning of various new and enhanced IT systems and strengthen our AI and technology capabilities.

DATA PRIVACY AND SECURITY

In our business operations, we do not proactively or directly collect any user-specific or device specific data from individual users. Instead, we rely on the data released by our customers to us when performing various marketing services. In the course of it, personal information of the individual users, such as their mobile phone numbers and member account names and numbers, may possibly be passed to us, particularly when we are providing virtual goods sourcing and delivery services. Such data has been stored in the web-based storage space provided by a third-party service provider and would be automatically cleared after seven days.

We put a strong emphasis on the compliance with relevant laws and regulations on data protection and privacy in our business operations and we seek to ensure the data that we accumulate is not misused or misappropriated. To the best of the knowledge of our Directors, our customers have informed the relevant individual users that their personal information may be provided to third party(ies) (such as our Group) for the purpose of service delivery and obtained their consent in this connection. Our PRC Legal Advisers are of the opinion that given that our customers had obtained the necessary consent from respective individual users, the custody and storage of such user data by us did not violate applicable laws and regulations in the PRC in all material respects during the Track Record Period.

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We treat all personal data of individual users we accumulate as strictly confidential. We would not disclose any information we gather from enterprise advertisers, advertising agents, marketing channel providers, channel agents, mobile app operators or distribution agents, unless such disclosure is approved by them, and they have in turn obtained user consent. We have put in place appropriate physical, electronic, and managerial procedures to safeguard and secure our data assets, including preventing unauthorised access, preserving their integrity, and ensuring their appropriate use. Our staff members at and with different levels and job duties are assigned different levels of access permissions to our systems and data. In addition, we have established hardware firewalls where all traffic is inspected and filtered. We conduct comprehensive security reviews of our data assets on an annual basis and ad hoc security reviews as and when necessary.

Our legal department is responsible for overseeing the legal compliance of our business practices in relation to data privacy. We provide ongoing training to our operations and technology staff to enhance their knowledge of data privacy protection. As confirmed by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable PRC laws and regulations in connection with data privacy in all material respect. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims, disputes, litigations or government investigation with respect to data privacy.

On 14 November 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) published the draft Administrative Regulations on Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Internet Data Security Regulations**”), which provides that, among others, an application for cyber security review shall be made by any entity which is regarded as a “data processing operator” if such entity (i) is an internet platform operator which is in possession of a large amount of information related to national safety, economic development and public interests which is undergoing merger, restructuring or separation or otherwise affect or might affect national security; (ii) processes personal information of more than one million users and is contemplating an overseas listing; (iii) is contemplating a listing in Hong Kong and will or might affect national security; or (iv) undertaking any data processing activities which will or might affect national security. Further, pursuant to the Cybersecurity Review Measures (《網絡安全審查辦法》) which became effective from 15 February 2022 (together with the Draft Internet Data Security Regulations, the “**Cybersecurity Regulations**”), internet platform operators possessing personal information of more than one million users who are applying for overseas listing are subject to cybersecurity review by the Office of Cybersecurity Review.

In conducting our virtual goods sourcing and delivery business, we would obtain personal information of the end users, such as their phone numbers and/or stored value card numbers, from our customers for the purpose of topping-up of the relevant accounts of the end users. According to our PRC Legal Advisers, as we are involved in storage and deletion of data of the end users of our virtual goods sourcing and delivery business, it is likely that we would be treated as a data processing operator under the Draft Internet Data Security Regulations. Our PRC Legal Advisers further advised that, despite that we may be treated as a data processing

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operator, it is unlikely that we would be required to undergo a cybersecurity review for the proposed [REDACTED] as we did not fall under any one of the situations which necessitates a cybersecurity review under the Cybersecurity Regulations, given that (a) the platforms used by us in our business operations were not opened for access by the end users or the public; accordingly, our platforms were internal business management platforms of our Group by nature, and we do not fall within the scope of “internet platform operator”; (b) the [REDACTED] is not an “overseas listing” under the Cybersecurity Regulations as “overseas listing” therein refers to listing outside China; (c) it is unlikely that the [REDACTED] in Hong Kong will or might affect national security because (i) our business mainly involved provision of general marketing services for enterprise advertisers and not directly to end consumers, and the corporate information obtained by us did not involve relevant national or government information and was unlikely to constitute national core data; (ii) the data stored and kept by our Group were stored in a state-supervised data centre, and there was no issue of provision or leakage of information to overseas individuals or entities; and (iii) the personal information possessed by our Group was stored and used solely for the purpose of providing top-up or virtual goods delivery services to our relevant customers; and (d) pursuant to an interview with the Director of the Office of Cyberspace Affairs Commission of the Fuyang District Committee of the Chinese Communist Party (中共富陽區委網絡安全和信息化委員會辦公室), being a competent authority to confirm on matters related to cybersecurity matters, on 31 March 2022, as (i) listing in Hong Kong is not an overseas listing under the Cybersecurity Regulations; (ii) the Group is not an “internet platform operator”; and (iii) the [REDACTED] is unlikely to affect national security, the [REDACTED] would not be subject to cybersecurity review. In addition, our Group processed on average around 30,000 units of data per day contained in the orders received in our business operations (including mobile phone numbers (for mobile phone credit top-up services and other virtual goods delivery services), card numbers of oil station cards (for oil station cards top-up services), names and identity card numbers (for lottery ticket delivery services, which we had ceased to provide as at the Latest Practicable Date), and the respective top-up times and amounts); such order data would be retained in our computer systems for seven days and automatically cleared afterwards; hence, our computer systems constantly stored an aggregate of approximately 210,000 units of order data, which fell below the relevant threshold specified in the Cybersecurity Regulations. Taking into account the views and advice of our PRC Legal Advisors, our Directors believe, and the Sole Sponsor concurs, that the Cybersecurity Regulations, if implemented in their current form, are unlikely to give rise to any material impediment to the [REDACTED] from the compliance perspective. We will maintain ongoing communication with the PRC government authorities regarding the latest development of and requirements under the Cybersecurity Regulations and any other applicable new regulations and take necessary measures in a timely manner.

We have put in place appropriate internal procedures, as set out below, to safeguard the information and data obtained by us. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material incident of data or personal information leakage, infringement of data protection or privacy laws and regulations or any investigation, claims or legal proceedings in relation to data privacy. During the CAC Interview, it was also confirmed that our Group was not involved in any government investigation, penalty or order for rectification in connection with non-compliance with data privacy and security. Based on

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the above, our PRC Legal Advisors are of the view that our Group complies with or will be able to comply with the Cybersecurity Regulations (assuming that the Draft Internet Data Security Regulations are implemented in the current form) in all material aspects.

Considering the nature of our business and based on the advice of our PRC Legal Advisers, our Directors are of the view that, assuming the Draft Internet Security Regulations is implemented in its current form, it is unlikely that the [REDACTED] will be subject to cybersecurity review; and the Cybersecurity Regulations will not have any material adverse effect on our business operations or the [REDACTED]. Nevertheless, as at the Latest Practicable Date, the Draft Internet Data Security Regulations were released for public comment only and their operative provisions and the effective date remain uncertain. Please refer to the section headed “Risk Factors — Risks Relating to our Business and Industry — If we or our suppliers fail to protect data privacy of individual users, we might be subject to fines or other regulatory sanctions” in this document.

In addition, to ensure our ongoing compliance with the applicable laws and regulations on data protection and privacy, we have adopted relevant internal control measures, which primarily include:

- (i) adopting strict requirements for collecting, using, storing and transferring personal information;
- (ii) taking all necessary measures to avoid leakage, theft, tampering, loss or illegitimate use of data, including database backup, encryption, file access control, enhancement of data security protection and establishing data safety emergency mechanisms;
- (iii) where we provide access to or transmit personal data to third party, we shall inform all individuals affected of all details in respect of the use of their data and obtain personal consent from them unless permitted by law or such data is anonymised. We shall also take steps to ascertain data privacy obligations of such third party, such as incorporating relevant terms in our contracts with them; and
- (iv) prohibiting improper use of personal data made available to us in our operations, including acts that would damage the interests of individual users or interfere with fair market competition in marketing.

Our Directors confirmed that, (i) we have established adequate internal control measures to ensure compliance with the applicable laws and regulations on data protection and privacy; and (ii) no material deficiencies in our relevant internal control measures had been noted during the review conducted by the Internal Control Consultant (as defined below).

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INTELLECTUAL PROPERTIES

We regard our domain names, trademarks, patents, copyrights, trade secrets and other intellectual property as critical to our business operations. We rely on a combination of patents, copyrights, trademarks, and trade secret laws and restrictions on disclosure such as confidentiality and non-competition agreements with our employees, suppliers, partners and others to protect our intellectual property.

As at the Latest Practicable Date, we had registered 142 software copyrights in the PRC, which are primarily used in our RegoAd SDK and solutions on lottery related software systems and equipment, in addition to six trademarks, 13 patents and 11 domain names in the PRC and two trademarks in Hong Kong.

For further details of our material intellectual property rights and copyrights, please refer to the section headed “B. Further Information about our Business — 2. Intellectual Property Rights” and “B. Further Information about our Business — 3. Copyrights” in Appendix IV to this document. Our Directors consider that there is no material impediment in renewing the registration of our trademarks, patents or domain names upon expiry.

In general, our employees are required to enter into a standard employment contract which includes a clause acknowledging that all inventions, trade secrets, developments, and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. We do not authorise third parties who collaborate with us to use any of our intellectual property.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material breaches of our intellectual property rights and we did not have any pending or threatened claims against us relating to the infringement of any intellectual property rights owned by third parties. We believe that we have been taken all reasonable measures to prevent any infringement of our own intellectual property rights. Our PRC Legal Advisers confirm that we have not been subject to any material dispute, claims for infringement upon third-party intellectual properties in the PRC, infringed any other third-parties’ intellectual rights during the Track Record Period that would have a material and adverse impact to our operation and financial position.

SEASONALITY

During the Track Record Period, due to the variance in the development stages of our several business segments and our business focuses at different points of time, no clear pattern of seasonal fluctuations in our overall results of operations could be observed. In respect of our provision of solutions on lottery-related software systems and equipment, our revenue is generally higher during the period from August to December of each year as the provincial WLIACs, being the major customers of Xi’an Tiantai, generally start their tendering process in the second half of the year. For FY2020 and FY2021, our revenue from provision of solutions on lottery-related software systems and equipment recorded during the period from August to December represented approximately 55.2 % and 75.3 % of our annual total revenue from this business segment, respectively.

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As confirmed by iResearch, the marketing and promotion services business in the PRC is subject to seasonal fluctuations: the second half of each year, especially the fourth quarter, generally contributes the largest proportion of the intermediate marketing service providers’ annual revenue; as consumers are expected to increase their spending in or around the festive season, advertisers tend to allocate a more significant portion of their marketing budgets to the fourth quarter. Going forward, we expect that our revenue, and in particular revenue derived from marketing and promotion services business, may exhibit seasonal fluctuations in line with the industry norm. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — Seasonal fluctuations in marketing activities could have a material impact on our revenue, cash flow and operating results” in this document for further details.

COMPETITION

The market in which we operate is highly competitive with relatively high entry barriers such as in relation to optimisation capability, marketing channel provider base, technology, data and capital barriers. Our direct competitors are other intermediate advertising service providers based in the PRC. We also compete for advertisers’ overall marketing spending with direct marketing, print advertising companies and traditional media such as television, radio and cable companies.

We believe that we are differentiated from our competitors by reason of, among other reasons, our ability to offer diversified marketing channels and resources, including a wide variety of virtual goods and marketing and promotion services offered under our business collaboration with prominent media platforms, to meet different marketing needs of our customers in relation to acquiring, engaging and retaining their own customers, as well as our robust research and development capability to develop apposite software in support of present and future business needs. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — We face intense competition from other intermediate advertising service providers and we may not be able to compete effectively.” and the section headed “Industry Overview” in this document for further information on the competitive landscape of the industry we operate in.

INSURANCE

We believe we maintain insurance policies covering risks in line with industry standards. In line with general market practice, we do not maintain any business interruption insurance, product liability insurance, insurance policies covering damages to our network infrastructure or information technology systems, or insurance policies for our properties. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to cover all significant risk exposures.” in this document for further details. During the Track Record Period and up to the Latest Practicable Date, we did not make and had not been the subject of any material insurance claims in relation to our business.

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EMPLOYEES

As at 30 April 2022, we had 191 employees. The following tables set forth the number of our Group’s employees by function and geographic location:

Function	Number of full-time employees
Management	6
Sales and marketing	15
Research and development	68
Information technology support	21
Finance and accounting	15
Customer services	4
Operations	22
Human resources and general administration	12
Others	28
Total	191

Employee Location	Number of employees
Hangzhou	86
Xi’an	72
Shanghai	14
Shenzhen	16
Wuhan	1
Hainan Province	2
Total	191

Recruitment

Our Group has a recruitment policy under which we would recruit new employees based on departments’ request. We generally recruit our workforce through online platforms, regional job fairs and references by our current employees. We undergo a strict interview process and background search by which we assess the candidate’s past industry experience, academic qualification, integrity and work experience.

BUSINESS

Training

For the purpose of increasing the overall competitiveness of our workforce, we implement employee training policies to ensure that our employees are equipped with the required skill and safety knowledge when performing their duties. We organise induction training for our newly joined employees to help them better understand our value, team culture and working environment.

We provide all-round training to our existing employees, which usually includes professional trainings tailored for our employees from the quality control and research and development department as well as the sales and marketing team. We collaborate with external program designers and third party individuals to provide training sessions for our employees to enhance their work performance and on the job efficiency. We also arrange management training to our potential mid-level staffs to increase their ability on management and recruitment.

Remuneration

We believe that maintaining a stable and motivated employee force is crucial to the success of our business. We provide our employees with competitive salaries and bonuses determined by performance, housing subsidies, regular team building activities and internal opportunities of career advancement. Our Group adopts an appraisal system for our employees, where their respective supervisor and our president’s office conduct monthly or quarterly performance review depending on their rank and determines the amount of bonus to be awarded accordingly.

We enter into standard employment contracts with our employees typically for a duration of three years subject to further renewal. These standard contracts usually include a confidentiality clause effective during and after termination of employment, a non-competition provision effective during and after their employment with us, and a specific intellectual property rights provision such that all intellectual property created and developed during the course of employment are owned by and will belong solely to us.

As required by PRC laws and regulations, we participate in various mandatory social security plans organised by applicable local municipal and provincial governments, including basic pension insurance, unemployment insurance, basic medical insurance, maternity leave insurance and occupational injury plan. We also provide our employees with housing fund as well as offer them an annual health check.

Our employees have not formed any employee union or association. We believe that we maintain a good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material labour dispute or any difficulty in recruiting staff for our operations.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Our Directors have overall responsibility for our strategy and reporting on environmental, social and governance (“ESG”) matters. Our Directors also support our commitment to fulfilling its environmental and social responsibility, for which they are responsible for identification, assessment and management of our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Due to the nature of our business as a marketing service provider, we do not operate any production facilities or otherwise impose any material threats to the environment in our daily operations. Nonetheless, we are committed to conducting our business operations to comply with all applicable environmental laws and regulations. Our environmental management system in relation to software design and development has been assessed and certified as meeting the requirements of the ISO 14001:2015 standard. It is also our policy to minimise our impact on the environment in the design and operations of all our facilities and business processes to the largest extent where reasonable and cost-efficient.

In relation to our employment practices, we have put in place a set of social policies to promote health and safety of our employees. In order to provide a safe working environment, we provide our employees with occupational safety training and updates to enhance their awareness of safety issues. Our Directors confirm that we had been in compliance with health and work safety requirements in all material respects during the Track Record Period up to the Latest Practicable Date. We also invest in the training of our employees, including management and recruitment training for potential mid-level staff, and strive to engage with the local community. We encourage our employees to donate to local charities and take part in volunteering and other social activities on a voluntary basis. We intend to organise social activities which integrate our talents to care for those in need in the future.

As regards our corporate governance, we have specific policies on declaration of potential conflicts of interest, anti-money laundering measures and procurement management to ensure compliance with all relevant laws and regulations and avoid corruption in our business operations. During the Track Record Period and up to the Latest Practicable Date, to the best of the knowledge and belief of our Directors, there were no legal proceedings regarding corrupt practices brought against us or any of our directors and employees.

To the of the best knowledge and belief of our Directors, as at the Latest Practicable Date, we were not subject to any significant environmental, social and climate-related risks that could negatively impact our Group’s businesses, strategies and financial performance. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not subject to any material claim, lawsuit, penalty or administrative action relating to non-compliance with health, work safety or environmental laws and regulations.

In accordance with the Corporate Governance Code and ESG Reporting Guide set forth in Appendices 14 and 27 to the Listing Rules respectively, we will put in place mechanisms that will effectively enable us to continue to adopt recognised best practices and fulfil our corporate responsibility in respect of corporate governance and ESG matters following the [REDACTED].

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PROPERTIES

Our headquarter is located in Hangzhou, the PRC. As at the Latest Practicable Date, we did not own any properties in the PRC. The table below sets forth the details of our leased properties as at the Latest Practicable Date:

Location	Type of property	Lease Term	Expiry Date
Room 202, 2nd Floor, No. 8 Yinhu Innovation Centre, No. 9 Fuxian Road, Yinhu Street, Fuyang District, Hangzhou (杭州市富陽區 銀湖街道富閒路9號銀湖創 新中心8號二層202室)	Office Premises	One year	30 November 2022
Room 215, 2nd Floor, No. 8 Yinhu Innovation Centre, No. 9 Fuxian Road, Yinhu Street, Fuyang District, Hangzhou (杭州市富陽區 銀湖街道富閒路9號銀湖創 新中心8號二層215室)	Office Premises	One year	14 July 2023
Level 6, Tower C, No. 34 Moer Center, Fenghui South Road, High-tech Zone, Xi'an (西安市高新 區灃惠南路摩爾中心34號 C座6層)	Office Premises	One year	31 December 2022
No. 108, Building 4, 20 An Ding Road, Dongcheng District, Beijing (北京市 東城區安定路20號4號樓 108號)	Office Premises	One year with the right of first refusal to lease	31 July 2023
Room 2002, 20th Floor, Saixi Technology Building, Shenzhen (深圳 市賽西科技大廈20樓2002 房)	Office Premises	One year with the right of first refusal to lease	31 March 2023

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<u>Location</u>	<u>Type of property</u>	<u>Lease Term</u>	<u>Expiry Date</u>
Rooms 101-105, 1st Floor, Building 8816, Woke Park, Hainan Resort Software Community, Hi-Tech Demonstration District, Laocheng Town, Chengmai County, Hainan Province (海南省澄邁縣老 城鎮高新技術產業示範區 海南生態軟件園沃克公園 8816大廈1層101-105房間)	Office Premises	One year	11 October 2022
Rooms 401-03, 4th Floor, Building 5, No. 2388, Chenhang Highway, Minhang District, Shanghai (上海市閔行區 陳行公路2388號5號樓4層 401-03號單元)	Office Premises	One year	31 December 2022

LEGAL PROCEDURES AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not involved in any actual or pending legal, arbitration or administrative proceedings, including any bankruptcy or receivership proceedings, which we believe would have a material adverse effect on our business, results of operations, financial condition or reputation.

Our Directors had not been involved in any actual or threatened material claims or litigations as at the Latest Practicable Date. There had been no material legal, arbitral, or administrative proceedings before any court current or pending against, or involving the properties, or the businesses of our Company, which any of the properties or members of our Company was subject during the Track Record Period and the subsequent period up to the Latest Practicable Date. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we had, in all material respects, complied with all applicable PRC laws and regulations governing our principal business.

BUSINESS

Failure to Make Full Contribution to the Social Insurance and Housing Provident Funds for Our Employees in the PRC

(i) Particulars of the Non-compliance Incident

During the Track Record Period and up to the Latest Practicable Date, certain of our PRC subsidiaries did not register for and/or make full contributions to social insurance and housing provident fund in accordance with the Regulations on Administration of Housing Provident Fund 《住房公積金管理條例》 and the Social Insurance Law of the PRC 《中華人民共和國社會保險法》. We estimate that the aggregate shortfall of social insurance and housing provident fund contributions for the years ended 31 December 2019, 2020, 2021 and 4M2022 amounted to approximately RMB1.4 million, RMB2.0 million, RMB3.4 million and RMB1.3 million, respectively.

(ii) Reasons for the Non-compliance Incident

Such incidents occurred primarily because (i) the lack of understanding by the responsible personnel of the applicable PRC laws and regulations requirements; and (ii) certain number of our employees work remotely at the place of residency and were not willing to join the social insurance or pension schemes of the city where our subsidiary located.

(iii) Legal Consequences and Potential Penalties

Our PRC Legal Advisers have advised us that, under the Regulations on Administration of Housing Provident Fund 《住房公積金管理條例》, (i) for housing provident fund registrations that we fail to complete before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary; and (ii) for housing provident fund contributions that we fail to pay within the prescribed deadlines, we may be subject to any order by the relevant people's court or administrative supervisory authority to make such payments.

According to the Social Insurance Law of the PRC 《中華人民共和國社會保險法》, for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the outstanding contribution amount.

(iv) Remedial Actions Taken and Current Status

We always encourage to make such contributions for our employees. However, we were unable to pay contribution in full for some of our employees as they were reluctant to participate in the relevant schemes. Therefore, we provided these employees with compensation in lieu of such contributions (for example, we have arranged third party agent to make the relevant contributions to the local pension scheme on behalf of us for the employees work remotely).

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We have started to make full payment of social security insurance and housing provident fund contributions based on the actual salaries of our employee for any newly recruited employees since January 2021. We also intend to make full contribution of social security insurance for our other existing employees when such rectification is allowed or practicable to be made. We have been actively communicating with the relevant local government authorities and we expect that rectification could be completed by the end of 2022.

We have obtained written confirmations from relevant officers at the local social insurance and housing provident fund authorities during May 2022 confirming, among other things, that: (i) the social insurance and housing provident fund contributions made by relevant PRC subsidiaries during the Track Record Period were in compliance with respective laws, regulations and/or relevant local policies and requirements; (ii) no administrative penalty has been imposed on the relevant PRC subsidiaries; and (iii) no employee's complaints have been filed against us during the Track Record Period. Our PRC Legal Advisers are of the opinion that the relevant written confirmations are addressed by competent authorities.

Our Directors are of the view that no provision is required to be made in respect of the relevant PRC subsidiaries based on (i) written confirmations from local social insurance and housing provident fund authorities as stated above; (ii) that as at the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by the relevant authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order from or been alleged by relevant authorities or courts that we had not made full social insurance and housing provident fund contributions before a stipulated deadline. As at the Latest Practicable Date, we were not aware of any employee's complaints nor were involved in any labour disputes with our employees in relation to social insurance and housing provident fund contributions, which may have a material adverse effect on our business, finance and operations. In view of the above, our PRC Legal Advisers are of the view that our risk being penalised by the competent authorities providing the above written confirmations for our aforementioned historical failure is remote. In addition, we have obtained an indemnity from our Controlling Shareholders under the Deed of Indemnity to indemnify our Group against any claims, fines and other liabilities which may arise from such incidents. As a result, we did not make any provisions in connection with these incidents during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that the incidents will not have a material adverse impact on our business operations, nor will such events constitute a material legal obstacle for the [REDACTED].

(v) *Internal Control Measures Taken*

As at the Latest Practicable Date, we have established various internal control policies and procedures to mitigate the risk of such incidents and ensure full contributions in relation to social insurance and housing provident fund would be made properly. These internal policies and procedures include (i) regularly consulting legal advisers for advice on relevant PRC laws and regulations; and (ii) designating our personnel to monitor and assess the correct amounts of contributions in relation to social insurance and housing provident fund.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors are responsible for the establishment and updating of our internal control systems while our senior management monitors the daily implementation of internal control procedures and measures with respect to our subsidiaries and functional departments. We have formulated internal control measures and procedures in various aspects, including risks relating to information system, human resources, internal control and credit in order to provide reasonable assurance for our operations, reporting and compliance.

Information Security Risk Management

We have adopted measures to protect sensitive data and information in our business operations. We have a dedicated information safety management team responsible for protecting data and ensuring the stability of our network infrastructure and information technology system. To ensure information security, authorisation to access information stored by us is kept to a minimum and users are only allowed to access information related to their respective scope of work. We have adopted various policies on database operation to prevent information leakage and loss of data, such as constant monitor of our internet connection, servers, database and application systems to alert relevant departments to abnormal situations, and performing regular data backup arranged by the staff responsible for supervising the relevant database or application system. Further, we have signed confidentiality agreement with all our key personnel, pursuant to which such personnel undertake to keep confidential data and operational, financial and product information of our Group to third parties. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material data leakage or hacking activities.

Human Resources Risk Management

We provide internal trainings to our new and existing employees to familiarise themselves with our operation and development, required skills and safety knowledge when performing their duties. We also provide professional training tailored for our employees from different departments and management training to our potential mid-level staff. We have in place an employee handbook and a compliance manual approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, negligence and corruption.

Internal Control Relating to Lottery Sales

We have adopted internal controls and procedures to ensure our sale of lottery tickets complies with the applicable laws and regulations in the PRC and contracts on agent sale of lotteries with lottery distributors. We will also consult external legal advisors in respect of any changes in the laws and regulations relating to the sale of lottery tickets when necessary. In addition, we have adopted internal control measures to monitor our exposure to money laundering activities in the course of our sale of lottery tickets. Our legal department is responsible to monitor our compliance with the relevant laws and regulations (if any) and any transactions with a large transaction amounts shall be reported to our legal department. Based on our consultation with the Internal Control Consultant (as defined below), we confirm that there were no material defects in our internal control systems relating to lottery sale.

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Internal Control Risk Management

In preparation for the [REDACTED], we engaged an independent internal control consultant (the “**Internal Control Consultant**”), to review and enhance our risk management and internal control systems and measures in certain aspects, including revenue, purchase, fixed assets management, human resources, financial management, information technology and corporate governance. The Internal Control Consultant provided a number of findings and recommendations after the review, including the following:

- we have not performed annual review on the effectiveness of our internal control system. We should specifically include review of internal control systems in the terms of reference of our Board, establish a formal risk assessment policy, perform regular risk assessment regarding all aspects of our business and retain written record of such review and assessment;
- we have not established an independent internal audit department. We should establish an internal audit department which directly reports to the audit committee of our Board with updated internal audit management measures clarifying the reporting objects, work scope, duties and responsibilities, reporting system and implementation standards of internal control; and
- we have not set up any mechanisms to avoid conflict of interests between our staff and our customers. We should establish policies on conflict of interests such as mandatory written declaration by staff members in our sales department before engagement of new customers.

We have subsequently implemented the suggested remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our internal control system with regard to those actions taken by us and raised no further comment. After consultation with the Internal Control Consultant, we confirm that there were no material internal control findings outstanding as at the Latest Practicable Date.

CORPORATE GOVERNANCE MEASURES

In order to continuously improve our corporate governance, we have implemented and/or will implement the following measures:

- we will engage PRC and Hong Kong legal advisers to advise us in relation to future compliance with the PRC and Hong Kong laws and regulations in all respects;
- all our Directors and senior management have attended training on the relevant applicable laws and regulations, including the Listing Rules, provided by our Hong Kong legal advisers prior to the application for [REDACTED]. We will continue to arrange various training programmes to be provided by our legal advisers and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations. In addition, specific training programme(s) in relation to updates on relevant applicable laws and regulations will also be held when necessary;

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- we have appointed CMBC International Capital Limited as our compliance adviser to advise on compliance with the Listing Rules;
- when necessary, we will engage external professionals, including auditors, internal control consultants, tax consultants and external legal advisers to render professional advice as to comply with statutory and regulatory requirements as applicable to us from time to time;
- we have provided training for our employees on compliance matters to enhance their knowledge to better manage our operation risks. We plan to provide training to employees of managerial level on an annual basis and ad hoc training to all relevant employees when necessary; and
- we have established an Audit Committee, comprising three independent non-executive Directors, which will implement formal and transparent arrangements to apply financial reporting, risk management and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and other relevant laws and regulations, including timely preparation and filing of accounts. We will also periodically review our compliance status with the Hong Kong laws after the [REDACTED]. The Audit Committee will exercise its oversight by:
 - (i) reviewing our internal control and legal compliance; and
 - (ii) discussing the status of our internal control systems with our management to ensure that our management has performed its duty to maintain an effective internal control system.

We plan to continue strengthening our risk management and internal control policies by ensuring regular management review of relevant corporate governance measures and corresponding implementation.

LICENSES, PERMITS, AND APPROVALS

As advised by our PRC Legal Advisers, we had obtained all requisite licences, permits and approvals from the relevant government authorities that were material for our current business operations in the PRC as at the Latest Practicable Date.

The platforms through which we provide our services, namely Rego Virtual Goods Platform, RegoAd SDK and Rego Advertisement Operations and Management Platform, are business-facing management platforms for user by our enterprise customers, but not intended and not available for consumers and end users. More specifically, both the Rego Virtual Goods Platform and Rego Advertisement Operations and Management Platform are effectively internal business and financial management platforms targeted at providing our enterprise customers with data regarding our transactions with them. Similarly, RegoAd SDK, while capable of recording click behaviour of end users and synchronising the same to our customers, is only designated for the settlement of service fees payable by our enterprise customers, and is not open for use by consumers.

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On the above bases, our PRC Legal Advisers confirm that the operation of our business service platforms do not involve online data processing and transaction processing business or any other value-added telecommunication services, nor do they constitute basic telecommunication businesses. Hence, in the course of our business, we are not required to obtain ICP licence or other licenses which are restricted to domestic holders under the applicable PRC laws and regulations, including but not limited to the Catalogue of Classification of Telecommunications Business (2019 Edition) (《電信業務分類目錄(2019年版)》), “Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business” (《關於加強外商投資經營增值電信業務管理的通知》), “Administrative Measures on Telecommunications Business Operating Licences” (《電信業務經營許可管理辦法》), and “Regulations for Administration of Foreign-invested Telecommunications Enterprises” (《外商投資電信企業管理規定》).

Set forth below are the details of the licenses, permits and approvals that had been obtained by our Group and were material to our business operations as at the Latest Practicable Date:

<u>Type of licenses, permits and approvals</u>	<u>Holding entity</u>	<u>Issuing authority</u>	<u>Validity period/Term</u>
Information security management system certification (ISO/IEC 27001:2013)	Hangzhou Rego	Beijing TIRT Certification Co., Ltd. (北京泰瑞特認證有限公司)	12 October 2020 – 11 October 2023
Environmental management system certification (ISO 14001:2015)	Xi’an Tiantai	ZhongTai Union Certification Co., Ltd (中泰聯合認證有限公司)	20 April 2020 – 19 April 2023
Occupational health and safety management system certification (ISO 45001)	Xi’an Tiantai	ZhongTai Union Certification Co., Ltd (中泰聯合認證有限公司)	20 April 2020 – 19 April 2023
China national compulsory product certification (lottery terminal machine model TBC-100) (中國國家強制性產品認證(彩票終端機型號 TBC-100))	Xi’an Tiantai	China Quality Certification Centre (中國質量認證中心)	17 February 2020 – 15 January 2025

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<u>Type of licenses, permits and approvals</u>	<u>Holding entity</u>	<u>Issuing authority</u>	<u>Validity period/Term</u>
China national compulsory product certification (lottery terminal machine model TBC) (中國國家強制性產品認證(彩票終端機型號TBC))	Xi'an Tiantai	China Quality Certification Centre (中國質量認證中心)	30 March 2018 – 15 March 2023
Quality management system certification (質量管理體系認證) (ISO 9001:2015)	Xi'an Tiantai	China Quality Certification Centre (中國質量認證中心)	2 September 2013 – 1 September 2025

AWARDS AND RECOGNITIONS

The table below sets forth the details of our awards and recognitions during the Track Record Period:

<u>Award/Recognitions</u>	<u>Recipient</u>	<u>Award Date(s)</u>	<u>Awarding Institution(s)/ Authority(ies)</u>
Hangzhou enterprise high and new technology research and development centre (杭州市企業高新技術研究開發中心)	Hangzhou Rego	20 June 2018	Hangzhou Science and Technology Committee* (杭州市科學技術委員會)
Vice-president unit, Retail Professional Committee of China Department Store Business Association (中國百貨商業協會新零售專業委員會副會長單位)	Hangzhou Rego	1 March 2019	New Retail Professional Committee of China Department Store Business Association (中國百貨商業協會新零售專業委員會)
High and new technology enterprise (高新技術企業)	Xi'an Tiantai	7 November 2019	Shaanxi Provincial Department of Science and Technology* (陝西省科學技術廳), Shaanxi Provincial Department of Finance* (陝西省財政廳) and Shaanxi Provincial Tax Service, State Taxation Administration* (國家稅務總局陝西省稅務局)

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<u>Award/Recognitions</u>	<u>Recipient</u>	<u>Award Date(s)</u>	<u>Awarding Institution(s)/ Authority(ies)</u>
Provincial level high and new technology research and development centre (省級高新技術企業研究開發中心)	Hangzhou Rego	1 February 2020	Zhejiang Provincial Department of Science and Technology* (浙江省科學技術廳)
High and new technology enterprise (高新技術企業)	Hangzhou Rego	1 December 2020	Zhejiang Provincial Department of Science and Technology* (浙江省科學技術廳), Zhejiang Provincial Department of Finance* (浙江省財政廳) and Zhejiang Provincial Tax Service, State Taxation Administration* (國家稅務總局浙江省稅務局)
Membership unit, High-Tech Enterprises Association Of Hangzhou City (杭州市高新技術企業協會會員單位)	Hangzhou Rego	10 March 2021	High-Tech Enterprises Association of Hangzhou City (杭州市高新技術企業協會)
Software enterprise (軟件企業)	Hangzhou Rego	29 April 2022	Zhejiang Software Enterprise Association* (浙江省軟件行業協會)