
INDUSTRY OVERVIEW

This and other sections of this document contain information and statistics relating to our industry and related industry sectors, some of which have been derived from official government sources and from the report independently prepared by Frost & Sullivan. We believe that these sources are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics are materially false or misleading or that any fact has been omitted that would render such information or statistics materially false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an adverse impact on the quality of information in this section. Such information and statistics have not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other party (other than Frost & Sullivan) involved in the [REDACTED] and no representation is given as to their accuracy. Accordingly, you should not place undue reliance on such information or statistics.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and prepare a report on online game market in the globe, and particularly the PRC in relation to the [REDACTED] (the “**Frost & Sullivan Report**”). Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We were charged RMB1,400,000 by Frost & Sullivan in connection with its preparation of the report. Our payment of such fee is not contingent upon the results of its research and analysis.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved in-depth telephone and face-to-face interviews with industry participants. Frost & Sullivan also conducted secondary research which involved reviewing annual reports, industry publications and data based on its own research database. Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, and considered related industry drivers. Its forecasting methodology integrates several forecasting techniques with its internal analytics of critical market elements investigated in connection with its market research work. These elements primarily include identification of market drivers and restraints and integration of expert opinions. In preparation of the Frost & Sullivan Report, Frost & Sullivan assumed: (i) the macro economy of the PRC is likely to return to steady growth after the outbreak of COVID-19; (ii) key industry drivers are expected to continue to affect the market during the forecast period; and (iii) the social, economic and political environment in the PRC is likely to remain stable in the forecast period.

OVERVIEW OF ONLINE GAME MARKET

Definition

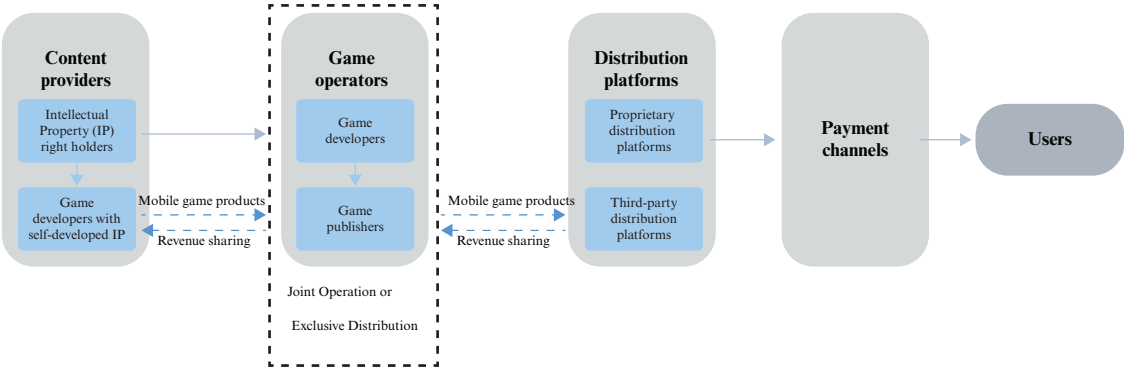
Generally, online games could be classified by various gameplay, game genre, platform, and revenue generation model, etc. In particular, online games are divided into major segments such as role-playing games (RPG), simulation games (SLG), action games (ACT), collective card games (CCG) and sports games by game genre and can be classified into personal computer (PC) games and mobile games by platform. PC games comprise games which are required to be downloaded for playing and web games which are played

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over the internet with web browsers. Mobile games refer to games that are played on portable devices, such as tablets or smartphones. Driven by the evolving mobile communication technology and development of smartphones, the number of mobile internet users in the PRC experienced continual growth and increased from 695.3 million in 2016 to 1,006.7 million in 2021, at a CAGR of 7.7%. In line with the progression of mobile internet usage, the penetration rate of mobile internet users in the PRC also increased from 95.1% in 2016 to 99.6% in 2021.

Market Value Chain

The major participants of the online game market include content providers, game operators, distribution platforms and payment channels. Many companies will participate in one or more parts of the value chain, for example, by both self-developing and publishing games. The following chart shows the value chain of the online game market.



Source: Frost & Sullivan

- Content providers include IP right holders (for example, sports leagues, music, anime and cartoons) and professional game developers with capability to self-develop IP and design the game content and conduct demo assessment and testing on the game prior to launch.
- Game operators mainly include publishers who market and promote games and provide technical support which calibrates the game post-launch and customer service for game users. Game developers can either maintain an in-house publishing team or designate one exclusive partner or simultaneously engage multiple publishers to operate and popularise the game with different marketing and pricing strategies, and promotional campaigns.
- Distribution platforms include proprietary distribution platforms and third-party distribution platforms such as Apple AppStore, Google Play and TapTap, which sell and distribute mobile games to game users.
- Payment channels include WeChat Pay, Alipay and other third-party payment gateway services providers.

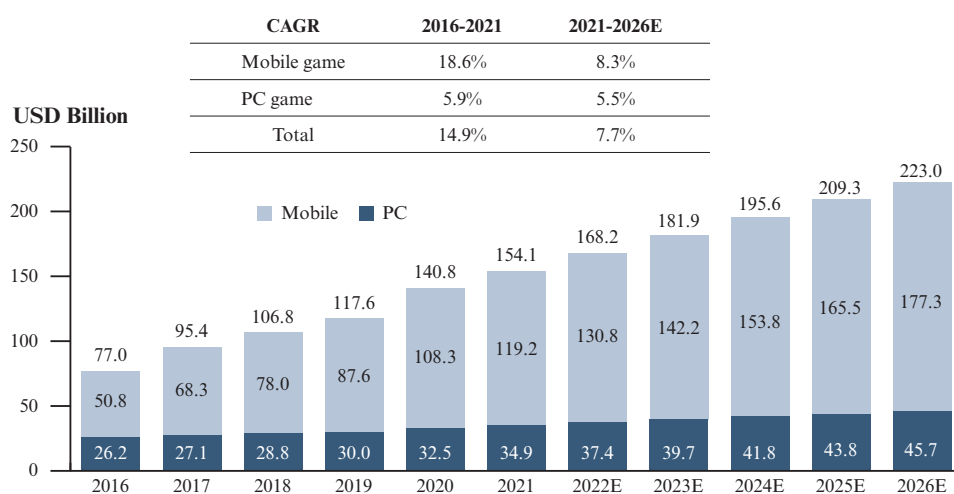
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Global Market Size of Online Game Industry

The global online game market registered stable growth over the past years, increasing from USD77.0 billion in 2016 to USD154.1 billion in 2021 at a CAGR of 14.9%. With the continuously improving online game experiences brought by the cutting-edge technology and upgrading devices such as VR and 3D wiggle stereoscopy, the global market size of online games is anticipated to maintain an upward trend and reach USD223.0 billion by 2026 at a CAGR of 7.7% over the period from 2021 to 2026.

In particular, the segment of mobile game market witnessed remarkable growth with the market size achieving a CAGR of 18.6% from 2016 to 2021, which was mainly due to the rising popularity of mobile phones and the increasing penetration of mobile internet, in particular in developing regions such as Southeast Asia and the PRC. It is expected that the mobile game market will maintain growing momentum and reach approximately USD177.3 billion by 2026 at a CAGR of 8.3%. The segment of PC game market grew stably during 2016 to 2021 with a CAGR of 5.9% and will maintain steady trend in the future, the global market size of which is expected to reach USD45.7 billion by 2026.

Global Market Size of Online Games and Forecast by Different Platforms, by Revenue, 2016–2026E

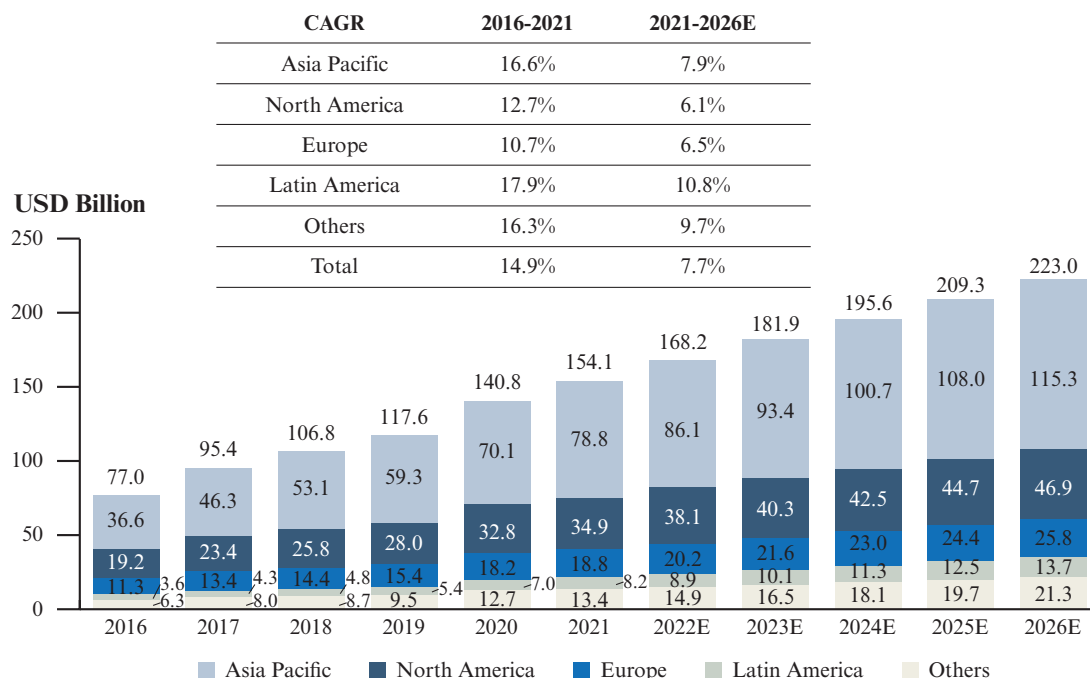


Source: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (GPC), Entertainment Software Association (ESA), Interactive Software Federation of Europe (ISFE), Computer Entertainment Supplier's Association (CESA), Data.ai, Frost & Sullivan

In terms of market size of the online game market by different regions in the world, Asia Pacific and Latin America registered meaningful growth during 2016 to 2021, representing CAGR of 16.6% and 17.9%, respectively. Going forward, driven by the rising consumer purchasing power and gradually improving network environment in these two regions, the market size of Asia Pacific and Latin America online game market are estimated to reach USD115.3 billion and USD13.7 billion by 2026, respectively.

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Global Market Size of Online Games and Forecast in Different Regions, by Revenue, 2016–2026E



Source: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (GPC), Entertainment Software Association (ESA), Interactive Software Federation of Europe (ISFE), Computer Entertainment Supplier’s Association (CESA), Data.ai, Frost & Sullivan

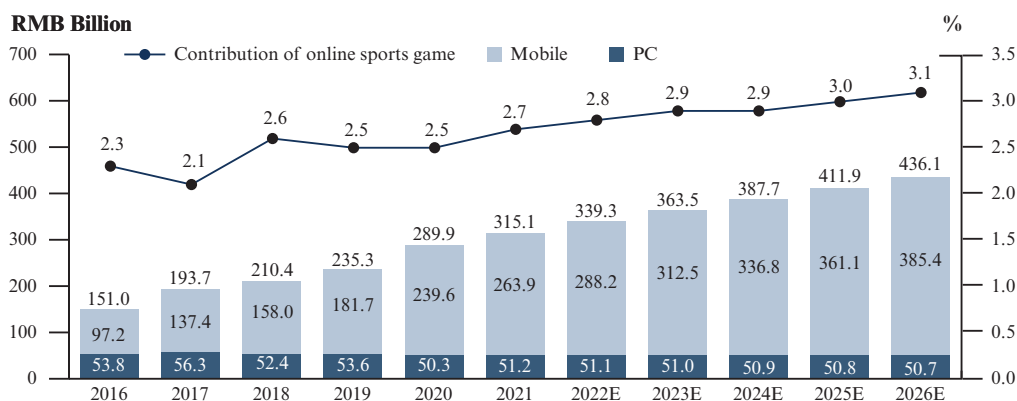
Market Size of Online Game Market in the PRC

The total size of the online game market in the PRC grew at a CAGR of 15.8% in the last five years, from RMB151.0 billion in 2016 to RMB315.1 billion in 2021. The market expansion was mainly attributable to the ubiquitous mobile phones and development of technological advancement in hardware and display, processing, storage, interfaces, network bandwidth and operating system functionality which, in particular, contribute to the growing market of mobile game at a CAGR of 22.1% from RMB97.2 billion in 2016 (64.4% of the entire online game market at the time) to RMB263.9 billion in 2021 (83.8% of the entire online game market at the time), and is expected to continue to grow at a CAGR of 7.9% to reach RMB385.4 billion in 2026 due to the continuous technology upgrading and deployment of 5G internet in the future.

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Market Size of Online Game Market and Forecast in the PRC, by Revenue, 2016–2026E

CAGR	2016-2021	2021-2026E
Mobile	22.1%	7.9%
PC	-1.0%	-0.2%
Total	15.8%	6.7%



Source: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (GPC), Frost & Sullivan

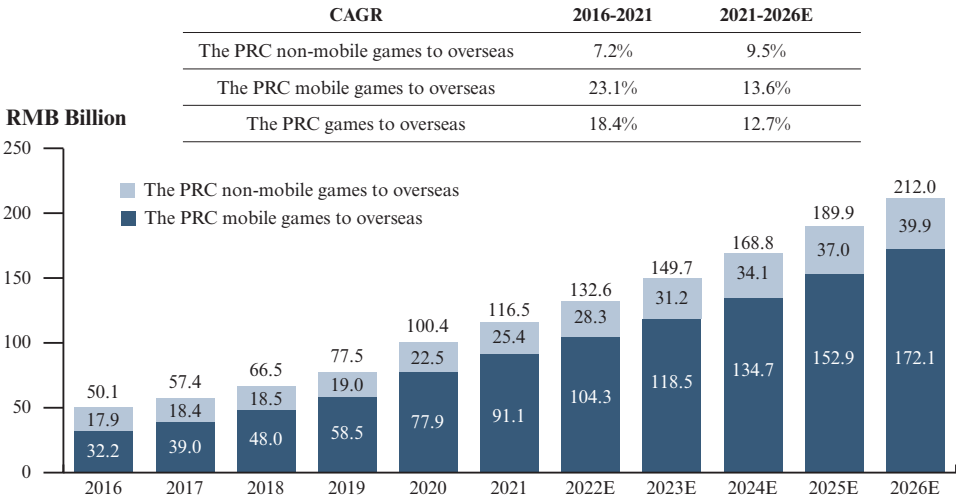
The rapid growth of the mobile game market in the PRC can be attributed to the following factors:

- **Expanding internet coverage and lower communication cost** — Game users are gaining faster and more affordable internet access. According to the Department of Information and Communication Development of the PRC, 5G internet coverage is expected to be further expanded to remote villages and border areas in order to bring technological convenience to local people. Accordingly, as of 2021, in the PRC, the total number of 5G base stations has exceeded 1.4 million.
- **Changing consumption patterns and demography** — Due to the rising disposable income, convenience of online payment channels and diversified genres of mobile games, consumers are increasingly willing to pay for mobile entertainment activities. The paying ratio of mobile games in the PRC has increased drastically from 53.6% in 2016 to 78.8% in 2021. Furthermore, according to National Bureau of Statistics of the PRC, the population of Generation post-90s reached approximately 494.7 million in 2021, who are more online socializing savvy than the older generations. As such, the ARPPU of mobile games in the PRC has reached RMB461.9 in 2021.
- **Development and popularity of electronic sports** — The growing popularity of electronic sports (E-sports) allows game users to compete with each other in the online battle sports games, such as FIFA Football, and hence gives rise to new opportunities for live streaming platforms such as Douyu and Bilibili. KOLs in these platforms also utilise their influences to promote the E-sports games which fuels the development of mobile game market in the PRC.

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With the rapid development of the mobile game market in the PRC, mainland Chinese game developers have been working on the improvement of game content and quality, which laid foundation for the publishing of local mobile games to overseas. The market size of the PRC mobile games to overseas registered notable growth with a CAGR of 23.1% during 2016 to 2021. It is estimated the market size of PRC mobile games to overseas would keep expanding as more and more Chinese companies are actively exploiting overseas consumption markets.

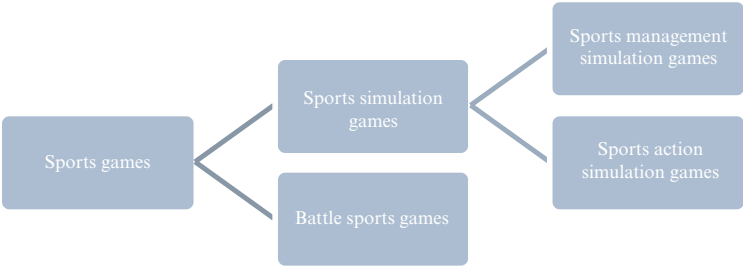
Market Size of the PRC Games to Overseas, by Revenue, 2016–2026E



Source: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (GPC), Frost & Sullivan

OVERVIEW OF ONLINE SPORTS GAME MARKET IN THE PRC

Market segmentation of online sports games



Source: Frost & Sullivan

Generally, sports games are divided into two categories — sports simulation games and battle sports games. On the one hand, sports simulation games aim to simulate real-world sports teams and players to create realistic and enhanced sense of immersion to the users, and thus IP right licenses of real-world sports leagues, sports associations and sports clubs are usually required. On the other hand, battle sports games do not seek to simulate the reality in the games but instead aim to create an imaginative world for users to compete with each other.

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Sports simulation games can be further divided into, albeit with some common features, sports management simulation games and sports action simulation games. While sports management simulation games mainly focus on the management and training of sports teams wherein the users act as a team manager or coach, sports action simulation games are featured with additional control functions which allow users to manually steer the virtual sports players. One significant difference between sports action simulation games and sports management simulation games is that while in-game battles of sports management simulation games are run automatically, in-game battles of sports action simulation games are manually controlled by users such that the results are substantially affected by the users’ steering skills.

Despite some common features between sports action simulation games and sports management simulation games, the following table sets out their key differences:

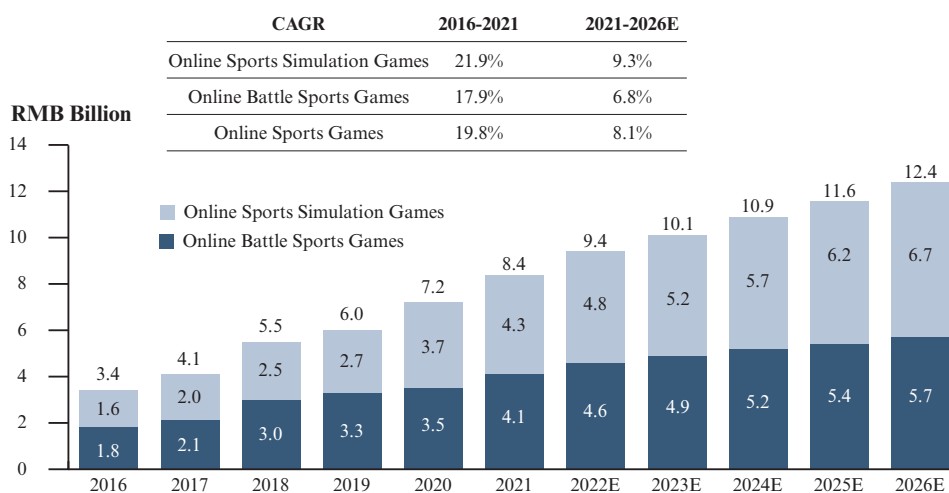
	Sports action simulation games	Sports management simulation games
Core gameplay	The users’ manual steering skill in controlling the virtual players is a more important factor in determining the results of in-game battles. The purchase of enhanced virtual items and virtual players may give users a unique edge in battles.	Strongly correlated with the development of real-life sports events. The purchase of enhanced virtual items and virtual players is a more important factor in winning in-game battles which are run automatically.
Satisfaction	Excitement from stimulating hands-on experiences	Satisfaction derived from leadership in staging battles with different team formation and strategies
Gaming strategies	Tend to cultivate users’ manual steering skill in controlling their selected virtual players through intensive practice	Tend to enhance the virtual items and virtual players to stage battles with different team formation strategies

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Market Size Analysis

Sports game is one of the genres of online games, which takes approximately 4% to 6% of the total market size in the global online games market. In 2021, the online sports game market contributed only approximately 2.7% to the overall online game market in the PRC. Both online sports simulation games and online battle sports games in the PRC market increased over the period from 2016 to 2021. Specifically, the revenue of online sports simulation games market in the PRC increased from RMB1.6 billion in 2016 to RMB4.3 billion in 2021 at a CAGR of 21.9%, while that of online battle sports games rose from RMB1.8 billion in 2016 to RMB4.1 billion in 2021 at a CAGR of 17.9%. Driven by the increasing number of mobile internet users and improving technology and user experiences in the mobile games, the revenue of the PRC online sports game market is expected to maintain the upward momentum during the period from 2021 to 2026.

Market Size of Online Sports Games in the PRC by Game Genre, by Revenue, 2016–2026E



Source: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (GPC), Frost & Sullivan

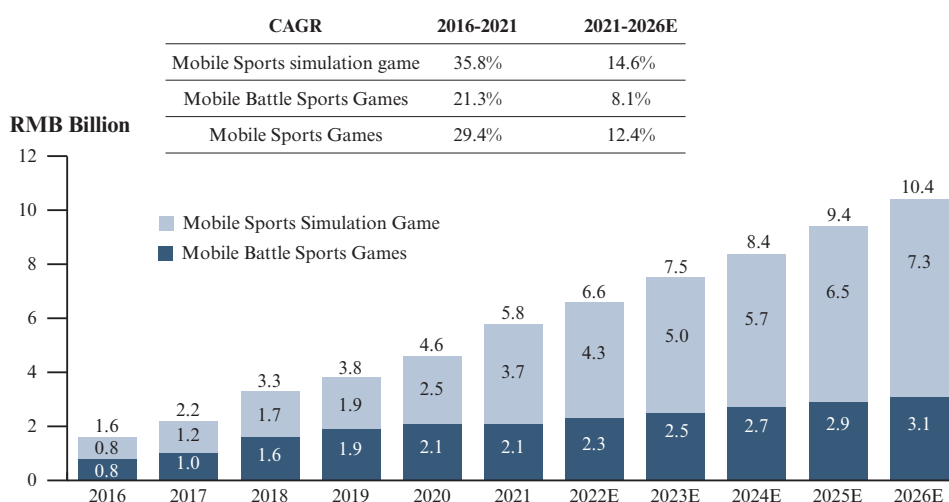
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OVERVIEW OF MOBILE SPORTS GAME MARKET

Market Size Analysis

Contributed by the rapid development of the internet industry and widely popularized smart phone, many sports games have transferred from PCs and consoles to smart phones or tablets. Nowadays, most mobile sports simulation games are football and basketball themed, whereas other sports games, such as baseball and American football are emerging and supported by the respective huge fan population. The market size of mobile sports simulation games in the PRC increased rapidly from RMB0.8 billion in 2016 to RMB3.7 billion in 2021, representing a CAGR of 35.8%. In the future, it is expected that the market size of mobile sports simulation games in the PRC will reach RMB7.3 billion in 2026. Meanwhile, the market size of mobile battle sports games in the PRC increased rapidly from RMB0.8 billion in 2016 to RMB2.1 billion in 2021, representing a CAGR of 21.3%, and is expected to reach RMB3.1 billion in 2026.

**Market Size of Mobile Sports Games in the PRC,
by Revenue, 2016–2026E**

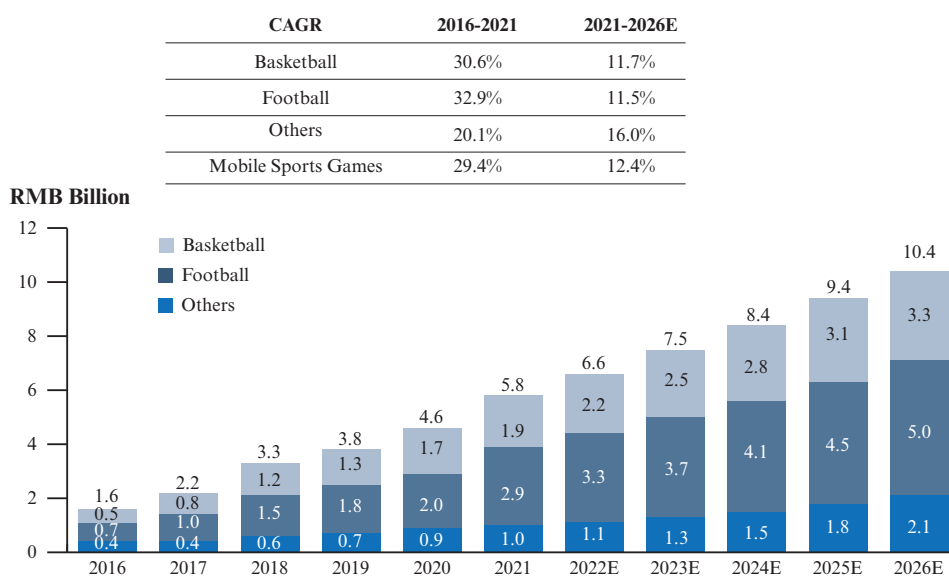


Source: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (GPC), Frost & Sullivan

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Mobile sports games that are football-themed and basketball-themed take up the largest market share in the mobile sports game market in the PRC; whereas, the market share of mobile sports games themed with other sports, such as snooker, baseball, tennis, table tennis, volleyball, American football, etc. is expanding rapidly. The market size of basketball-themed mobile sports games increased rapidly from RMB0.5 billion in 2016 to RMB1.9 billion in 2021, at a CAGR of 30.6%. The market size of basketball-themed mobile sports games in the PRC is expected to reach RMB3.3 billion in 2026. Meanwhile, the market size of football-themed mobile sports games increased rapidly from RMB0.7 billion in 2016 to RMB2.9 billion in 2021, at a CAGR of 32.9%. The market size of football-themed mobile sports games is expected to reach RMB5.0 billion in 2026. In addition, the market size of mobile sports games themed with other sports grew from RMB0.4 billion in 2016 to RMB1.0 billion in 2021, and it is expected to reach RMB2.1 billion in 2026, at a CAGR of 16.0%.

Market Size of Mobile Sports Games in the PRC by Major Sports Types, by Revenue, 2016–2026E

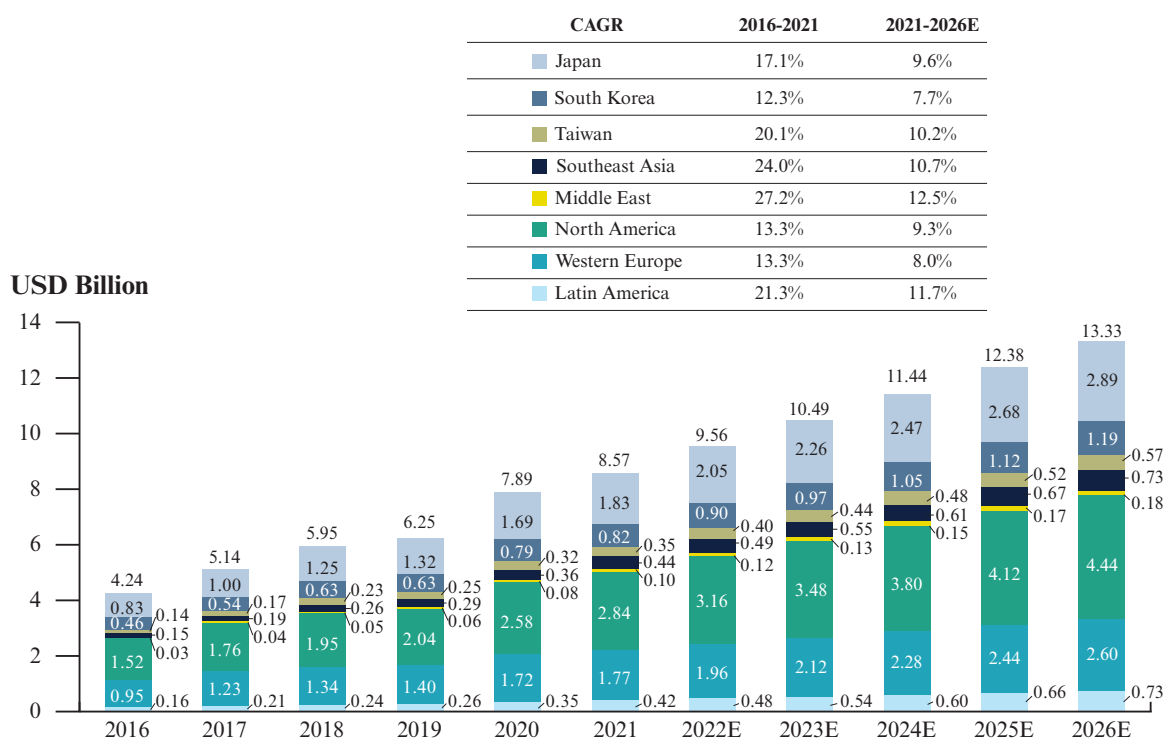


Source: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (GPC), Frost & Sullivan

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The North America, Western Europe and Japan are the three major overseas markets for mobile sports simulation games. With the rapid development of the internet infrastructure and the growing penetration rate of mobile devices, the market size of mobile sports simulation games in emerging overseas markets, such as Southeast Asia, Middle East and Latin America, is expected to continue the growth at a double-digit CAGR from 2021 to 2026.

Market Size of Mobile Sports Simulation Games of Major Overseas Markets, by Revenue, 2016–2026E



Source: Game Publishing Working Committee of the China Audio-video and Digital Publishing Association (GPC), Entertainment Software Association (ESA), Interactive Software Federation of Europe (ISFE), Computer Entertainment Supplier's Association (CESA), Data.ai, Frost & Sullivan

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Market Drivers

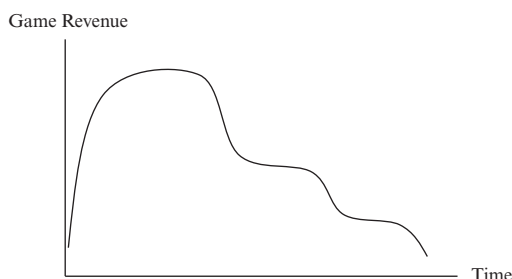
The mobile sports game market continues to develop and provides significant opportunities for game developers and other industry players in light of the following key drivers:

- ***Changing technological landscape*** — Technology improvements allow mobile games to capture more real-life situations from sports activities, with enhanced digital interaction. Going forward, mobile sports games will feature more engaging AI and 3D elements, enabling game users to be immersed in the game with dynamic challenges brought by AI technology. Other advanced technology, such as VR/AR holography also provides game users with higher level of interactive experience.
- ***Introduction of new E-sports in new emerging markets*** — E-sports are expected to improve the visibility and popular acceptance of online and mobile sports games. For instance, the EA Champions Cup (EACC) is one of the successful E-sports initiatives for the promotion of online sports game. As more and more variety of E-sports, including baseball, American football and tennis, are promoted especially in new emerging markets, such as Japan, China and other Asia Pacific regions, there provides a significant room for game developers to capture these online sports game opportunities, both in the local market where the sports originate and new emerging market with rising popularity.
- ***Longer lifecycle of mobile sports games*** — With the enduring support and stickiness of the existing and loyal fan base of sports considering that online sport games may be played as a part of a users’ lifelong interest in the particular sport, online sports game, on average, is considered as having a relatively longer lifecycle than other genre of online games.
- ***Favorable policy to foster national enthusiasm for sports and cultural development*** — In July 2021, the State Council announced the National Fitness Program (全民健身計劃), which aims to enhance the overall fitness of residents and to foster a national enthusiasm for sports. By promoting online sports events, workout with smart devices and virtual exercising, it is expected that the sports fan base will be further expanded and, to a certain extent, boost the popularity of the mobile sports game market in the PRC. Further, in July 2022, the MOFCOM together with 26 other government departments issued a guideline to promote the high-quality development of cultural trade (關於推進對外文化貿易高質量發展的意見), which, among others, aims to deepen the reforms on cultural development of and streamline the approval process of online games as well as to encourage brand building of cultural enterprises, including game companies, in the international markets.

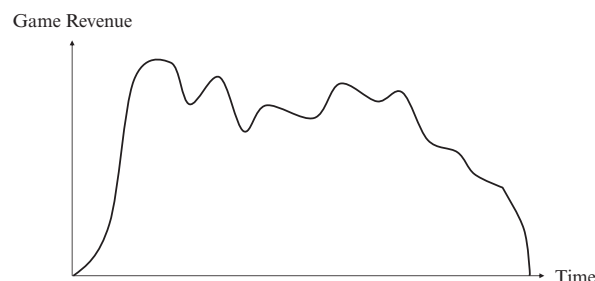
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Life Cycle Analysis of Online Sports Games

Life Cycle Model A Online Sports Games



Life Cycle Model B Online Sports Games



There are mainly two models of online sports games with regard to their lifecycles.

- **Model A:** Normally, both game revenue and number of active users may reach its peak within six months after a Model A game is launched. If there are no further promotional or marketing activities, the game revenue and number of active users of such games will descend until its revenue fail to cover the operating cost of the game within one to three years after its launch. Normally, if an online sports game has not experienced significant recession which demonstrates insufficient revenue to cover its operating cost within three years after its launch, the game tends to be a Model B game. For example, as the game revenue of the *Football Master* (足球大師) and *NBA Basketball Master* (NBA籃球大師) of our Group have not experienced such significant recession which demonstrates insufficient revenue to cover their operating costs within three years after the launch, they can be categorized as Model B games.
- **Model B:** Model B games are designed to be operated in the long run. In response with the technology trend and dynamic needs of the game users, Model B games are updated regularly, where new technologies and changes of players and sports teams in the real world development would be continuously incorporated in order to cater for the dynamic appeals from game users and allow the content of sports games to be updated and synchronized with reality. Model B games may transfer or migrate from old platforms to new platforms continuously with development of hardware, and users of these games are usually loyal fans who follow such transfer or migration of the games. Model B games are normally games with IP right licenses that are updated with the changing dynamics of the sports leagues and sports players in real life. The lifecycle of the Model B sports games can last for as long as 10 years and some of them are enjoying even more enduring popularity and lifespan since their launch. Normally, it may take approximately 1 year for a Model B sports game to enter into its stable and mature stage, and its entire lifecycle may hold for approximately 10 years before reaching the final stage when the revenue of the game fails to cover its operating cost or shows the trend of loss. However, the stable and mature stage can be sustained or extended if the game developer and operator continues to release new versions periodically. The existing four games and the new games in the pipeline of our Group are designed as Model B games such that they are designed with up-to-date technologies such as advanced 3D engine and various rendering technologies and are licensed with IP rights from renowned sports league, sports associations and sports clubs. The games of our Group aim to recreate the real athletes and world sports events and are regularly updated to synchronize with real-life sports events and development.

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Our Group also strives to improve the technology applied in the games to optimize users’ experience. It is expected that such continuous upgrades and updates in both game content and technology to simulate the reality and cater for users’ needs will enable our Group to retain its users and increase their loyalty and stickiness to the games. Also, given that the loyalty of sports fans to their favoured sports leagues and players may last throughout their lifetime, it is expected that our Group’s games, which are designed as Model B games, can have a relatively longer lifecycle.

Entry Barriers

- ***Intellectual property license rights*** — Intellectual property rights play a significant role in the sports simulation game market as games that simulate popular sports leagues (such as FIFA or the NBA) and sports associations (such as FIFPro or the NBPA) require cooperation with the intellectual property right owners. Typically, such intellectual property right owners will form an agreement with game developers by charging game developers a fixed cost and, in some cases, with an additional 6% to 30% revenue sharing after a certain revenue threshold is exceeded.

The gameplay and style of the games licensed with intellectual property rights from NBA and FIFPro are widely divergent as NBA and FIFPro are very scrupulous when choosing game developers for partnership as they are unwilling to swarm the markets with too many licensed games, particularly those of poor quality which may threaten or potentially harm the overall reputation and goodwill of their intellectual property rights. Thus, it poses as an entry barrier for a new game developer with limited track records to negotiate and secure cooperation with or existing partners to renew the intellectual property license with renowned intellectual property right owners such as NBA and FIFPro.

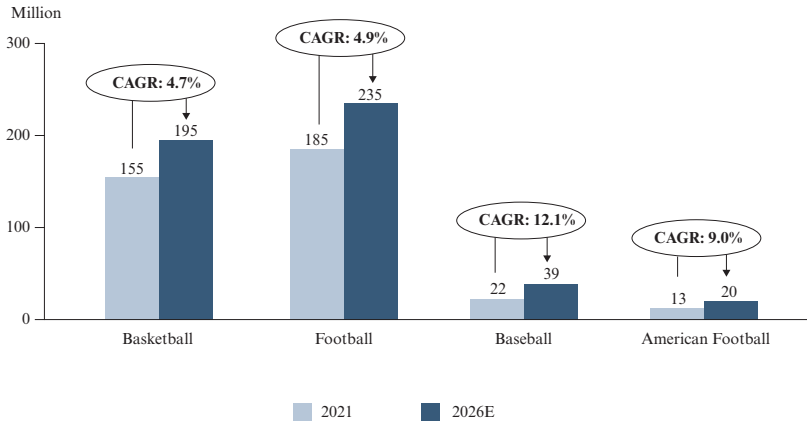
- ***Technological know-how*** — To develop online games of high quality that would attract and retain game users require game developers to be equipped with strong R&D capability. Advanced technology support, which provides expertise to enhance game development, testing and implementation by a team of professional talents is essential for the operational success. New entrants, however, may incur excessive cost and time to establish a professional team of talents or acquire the necessary technological know-how. The leading players in the industry are able to enlarge their R&D teams by providing competitive salary, while the new entrants may not be able to sustain their R&D teams if they cannot provide sufficient compensation to acquire or retain their key R&D staffs.

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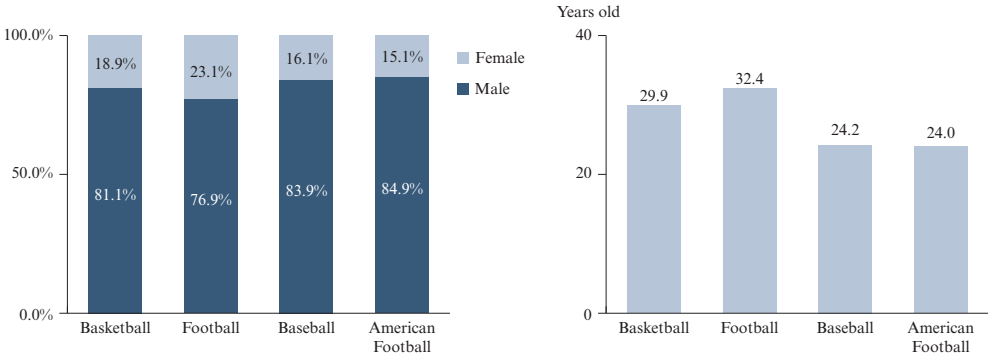
Analysis on Popularity of Major Sports in PRC

Basketball and football are two of the most popular sports in the PRC, and each of them has a huge fan base. Baseball and American football are two emerging sports in the PRC. Although the estimated number of sports fans of baseball and American football are relatively small in the PRC, their popularities have been increasing rapidly and are expected to grow at a CAGR of approximately 12.1% and 9.0%, respectively, from 2021 to 2026.

Estimated Number of Sports Fans in the PRC, 2021 and 2026E



Gender Ratio and Average Age of Sports Fans in the PRC, 2021



Source: Chinese Basketball Association (CBA), Chinese Football Association (CFA), Chinese Baseball Association (CBA), Chinese Rugby Football Association (CRFA), Frost & Sullivan

Note: For the market size of basketball themed and football themed mobile sports games in the PRC, please refer to “— Overview of Mobile Sports Game Market — Market Size Analysis” above. The data for the market size of baseball themed and American football themed mobile sports games in the PRC are currently unavailable.

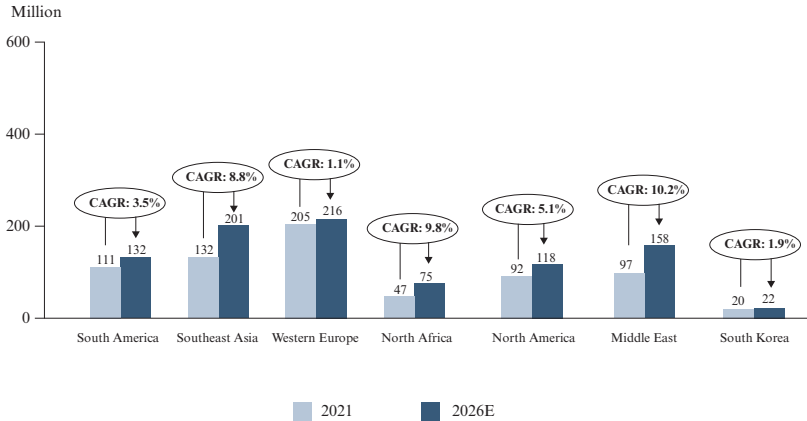
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Analysis on Popularity of Major Sports in Overseas Markets

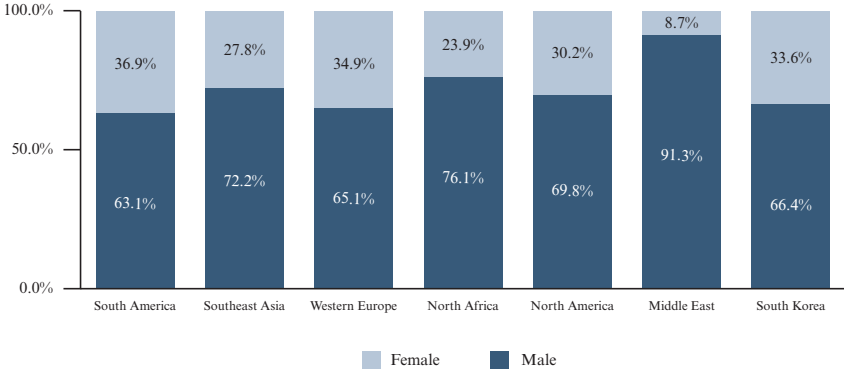
- Football**

Football is the most popular sport in the world with approximately 1.0 billion football fans globally in 2021. The number of global football fans is expected to reach 1.4 billion in 2026.

Estimated Number of Football Fans Overseas, 2021 and 2026E

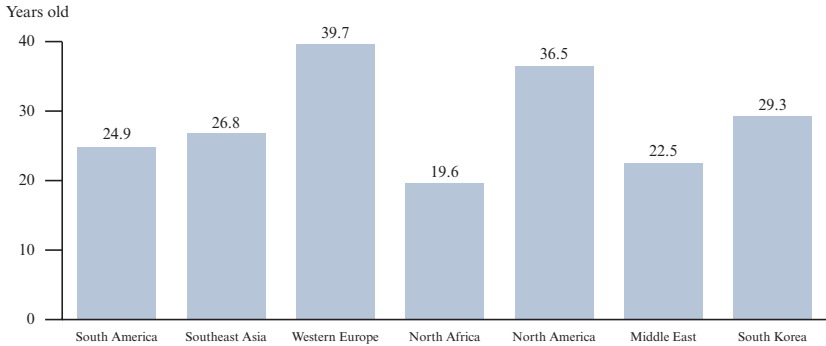


Gender Ratio of Football Fans Overseas, 2021

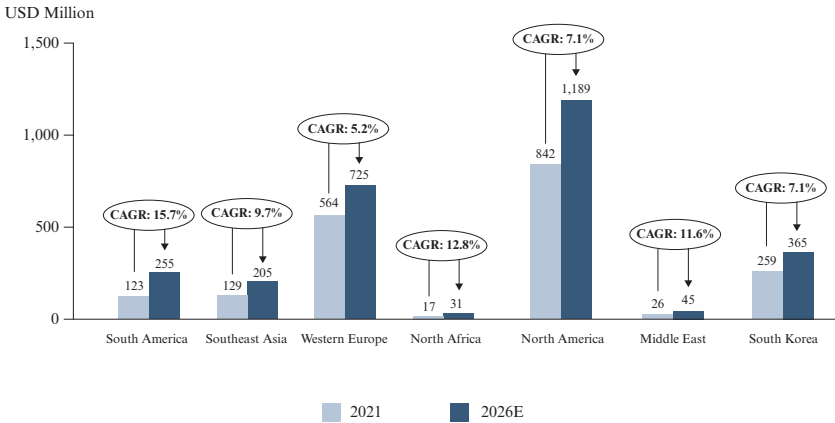


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Average Age of Football Fans Overseas, 2021



Market Size of Mobile Football Game Overseas, 2021 and 2026E



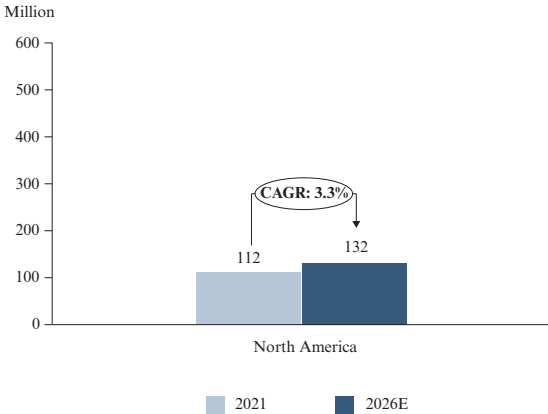
Source: International Federation of Association Football (FIFA), European Club Association (ECA), Major League Soccer (MLS), Frost & Sullivan

● **Basketball**

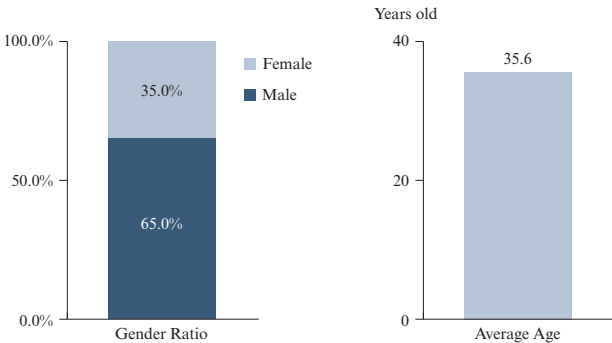
Basketball is one of the most popular sports in North America with a fan base of approximately 112 million in 2021, which is expected to increase at a CAGR of approximately 3.3% to 132 million in 2026. The popularity of basketball in North America is largely attributable to the influence of NBA, a well-recognized and long-established professional basketball association in the United States.

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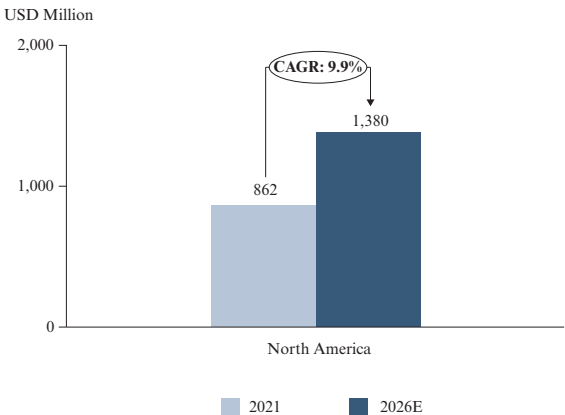
Estimated Number of Basketball Fans in North America, 2021 and 2026E



Gender Ratio and Average Age of Basketball Fans in North America, 2021



Market Size of Mobile Basketball Game in North America, 2021 and 2026E



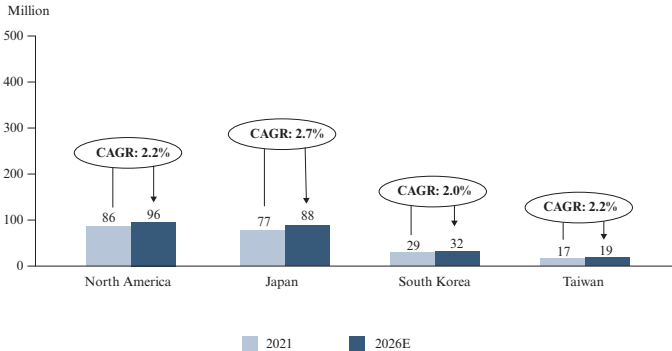
Source: National Basketball Association (NBA), Frost & Sullivan

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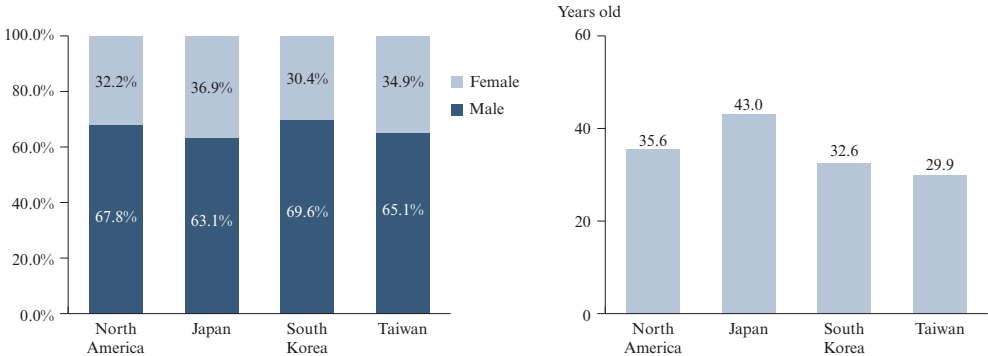
- Baseball**

Baseball is a popular sport in North America, Japan, South Korea and Taiwan with fan base of approximately 86 million, 77 million, 29 million and 17 million respectively in 2021. The CAGR of the number of baseball fans from 2021 to 2026 in these four regions is estimated to range from 2% to 3%. Their market size of mobile baseball games in these four regions in 2021 was approximately US\$255 million, US\$318 million, US\$194 million and US\$108 million respectively and is expected to increase to US\$798 million, US\$825 million, US\$583 million and US\$308 million in 2026. The popularity of baseball also rides on the influence of the MLB, a well-recognized and long-established professional baseball league in the United States.

Estimated Number of Baseball Fans Overseas, 2021 and 2026E

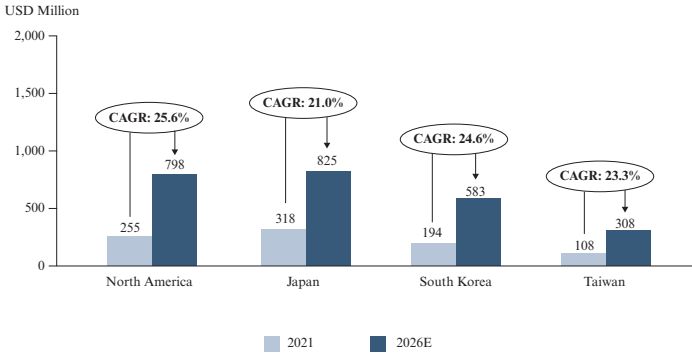


Gender Ratio and Average Age of Baseball Fans in the Oversea, 2021



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Market Size of Mobile Baseball Game Overseas, 2021 and 2026E

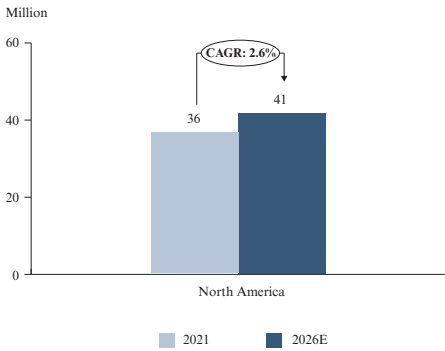


Source: Major League Baseball (MLB), Nippon Professional Baseball (NPB), Korea Baseball Organization (KBO), Chinese Professional Baseball League (CPBL), Frost & Sullivan

- American football**

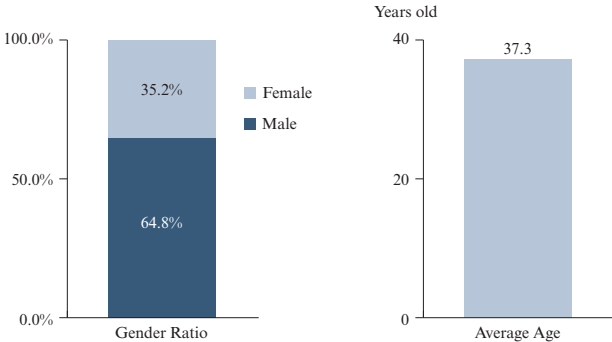
American football evolved in the United States and has become one of the most popular sports in North America. The fan base of American football reached approximately 36 million in North America in 2021 and is expected to increase to 41 million in 2026. The market size of mobile American football games in North America was US\$1,625 million in 2021 and is expected to increase to US\$2,434 million in 2026. The NFL is the major American football league with a large fan base in the North America.

Estimated Number of American Football Fans in North America, 2021 and 2026E

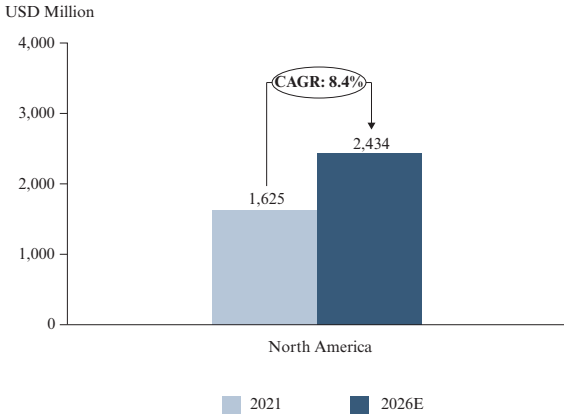


INDUSTRY OVERVIEW

Gender Ratio and Average Age of American Football Fans in North America, 2021



Market Size of Mobile American Football Game in North America, 2021 and 2026E



Source: National Football League (NFL), Frost & Sullivan

Threats and challenges

Uncontrolled pirated mobile games — Certain game developers may imitate and pirate popular mobile sports games in the domestic or overseas market by infringing the intellectual property rights which would cause damage to the interests and reputation of game developers who have committed to contractual licensing arrangement and undermine the sustainability of the online sports game industry.

Limited contractual period of intellectual property licenses — Normally, the contractual period between renowned sports clubs and game developers are limited to one to three years. Upon expiration, if the game developers cannot successfully compete with other industry players for renewal of the license, they could no longer retain the sports clubs as images in their games. To face with the challenges of limited contractual period, game developers have to continuously improve their market competitiveness to maintain dominant position in the market.

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COMPETITIVE LANDSCAPE ANALYSIS

The integrated online sports game companies are the game companies who are able to develop and publish online sports games, including online sports simulation games and online battle sports games, independently. Generally, companies with (i) a team of professional talents with deep understanding of both the sports and online game industry; (ii) substantial capital for acquiring intellectual property rights, securing game engines, running promotion and marketing campaigns and hiring sports stars as spokespersons; (iii) strong reputation and track record to secure collaboration with sports clubs and sports leagues and third-party distribution platforms such as mobile app stores; and (iv) advanced knowledge and technology to develop games with immersive and interactive experiences which are less easily replicable than games with low costs and skills, have higher bargaining power and are more capable of maintaining sustainability in their competitiveness and strong market influence.

As of December 31, 2021, there were approximately 480 market players in the online sports game market in the PRC. The market is fragmented with many relatively small companies with insignificant market influence and is dominated by the largest market player (Company A) with approximately 19.6% of market share in terms of revenue from online sports game in 2021. The mobile sports simulation game industry in the PRC is also evolving rapidly and is highly competitive, as manifested by the frequent introduction of new products and services, limited product lifecycle for certain game models, continuous introduction of new technological and equipment enhancement, evolving industry standards and constantly changing user demands and preferences. Other than local sports game developers and publishers, our Company also competes with leading overseas sports game developers when their games are localized and published in the PRC. Therefore, it is important for market players to obtain the IP right licenses from popular sports leagues, sports associations and/or sports clubs in order to create realistic and attractive game content.

In light of the fragmented market, our Company differentiated itself from other market players by successfully securing and maintaining various IP right licenses from internationally renowned Intellectual property holders, such as sports leagues, sports associations and sports clubs, including FIFPro, NBA and NBPA. It stands out as a unique competitive advantage of our Company considering that the process and selection criteria required to be satisfied by these sports leagues, sports associations and sports clubs in selecting their licensing partners is stringent. Having secured the IP right licenses from the internationally renowned Intellectual property holders can be regarded as an endorsement of and recognition to the brand and capability of our Company to gain market influence from the local and global sports fans. In this regard, our Company is supported by an experienced, enthusiastic and dedicated management team and technical development staff capable of creating attractive sports games with sophisticated game interface and advanced game engines, such as 3D technology, AI technology and rendering technology, to simulate the real-life athletes and sports events. This serves as a technological advantage of our Company against other competitors in the mobile sports game market in the PRC which lack the scale of research and development capabilities. With our continuous efforts in developing 3D technology to optimise gameplay scenes and visualisation effects, our Company is able to maintain this competitive advantage to outperform other market players in the mobile sports game industry in the PRC.

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Second only to the largest market player in terms of revenue from mobile sports game, our Company gains its competitive edge based on its ability to secure suitable IP right licenses, measures to prolong the lifecycle of its games and retain core loyal and paying users, as well as to incorporate advanced technology to optimize the graphics and engine of its games. On the other hand, even though online battle sports games do not seek to simulate the reality with the sports world development but aim to create an imaginative world for users to compete with each other, such games may also require the game developers and operators to acquire IP right licenses, such as from anime authors or companies, to create attractive game contents and to optimize gameplay with enhanced technology continuously to engage users’ interests.

Going forward, in view of the historical positive business relationship with and recognition by the internationally renowned proprietary IP right holders, our Company will strive to solidify such advantageous position over other market players to continue securing further IP right licenses from other renowned sports leagues, sports associations and sports clubs in support of our further development of mobile sports games in different genres, such as, baseball and American football themed games. Our Company will also continue to strengthen our in-house research and development capabilities to achieve more future research and development breakthroughs in the development of existing games and new games in the pipeline to provide more sophisticated gameplay experiences to our game users. With the continuous support from our Company’s management and development team with extensive experience and enthusiasm in the online sports game market, all these factors have allowed our Company to gain wider footage and to capture the vast and growing opportunities in such fragmented online sports game market in the PRC so as to reinforce and expand our market influence among the sports game users.

The following table shows the top five market players in terms of revenue in the online sports game market in the PRC in 2021.

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Ranking	Company name	Description	Number of online sports game and type of sports involved in the game in 2021	Revenue from online sports game in 2021, RMB million	Market share in online sports game market, 2021	Numbers of Sports related IPs, as of the Latest Practicable Date
1	Company A	Founded in 1998, it is a Chinese internet company headquartered in Shenzhen. It is listed on HKEx and it is also one of the world’s largest social media companies.	Football (4); basketball (3); snooker (1)	1,643.7	19.6%	4
2	Company B	Founded in 1982, it is an American game company headquartered in Redwood City. It is a listed company on NASDAQ.	Football (3)	502.7	6.0%	2
3	<i>Our Group</i>	<i>Founded in 2013, it is a Chinese game company headquartered in Shenzhen.</i>	<i>Football (2); basketball (1)</i>	<i>459.9</i>	<i>5.5%</i>	<i>9</i>
4	Company C	Founded in 1997, it is a Chinese internet company headquartered in Beijing. It is a listed company on NASDAQ.	Football (2); basketball (1)	458.6	5.5%	7
5	Company D	Founded in 1969, it is a Japanese game company headquartered in Tokyo. It is a listed company in LSE.	Football (2)	334.3	4.0%	7
				Top 5	3,399.2	40.6%
				Total	8,400.0	100.0%

Source: Data.ai, Frost & Sullivan

Note: The numbers of sports related IP are the total number of IPs applied in the sports games they launch in the PRC market.

The identities of the competitors are not disclosed as the consents from these relevant competitors have not been obtained as of the Latest Practicable Date.

INDUSTRY OVERVIEW

The following table shows the top five market players in terms of revenue in the mobile sports game market in the PRC in 2021.

Ranking	Company name	Description	Number of mobile sports game and type of sports involved in the game in 2021	Revenue from mobile sports game in 2021, RMB million	Market share in mobile sports game market, 2021	
1	Company A	Founded in 1998, it is a Chinese internet company headquartered in Shenzhen. It is listed on HKEx and it is also one of the world’s largest social media companies.	Football (3); basketball (2); snooker (1)	1,341.3	23.1%	
2	<i>Our Group</i>	<i>Founded in 2013, it is a Chinese game company headquartered in Shenzhen.</i>	<i>Football (2); basketball (1)</i>	<i>459.9</i>	<i>7.9%</i>	
3	Company C	Founded in 1997, it is a Chinese internet company headquartered in Beijing. It is a listed company on NASDAQ.	Football (2); basketball (1)	458.6	7.9%	
4	Company B	Founded in 1982, it is an American game company headquartered in Redwood City. It is a listed company in NASDAQ.	Football (2)	393.1	6.8%	
5	Company D	Founded in 1969, it is a Japanese game company headquartered in Tokyo. It is a listed company in LSE.	Football (2)	334.3	5.8%	
				Top 5	2,987.2	51.5%
				Total	5,800.0	100.0%

Source: Data.ai, Frost & Sullivan

Note: The identities of the competitors are not disclosed as the consents from these relevant competitors have not been obtained as of the Latest Practicable Date.

INDUSTRY OVERVIEW

The following table shows the top five market players in terms of revenue in the mobile sports simulation game market in the PRC in 2021.

Ranking	Company name	Description	Number of mobile sports game and type of sports involved in the game in 2021	Revenue from mobile sports simulation game in 2021, RMB million	Market share in mobile sports simulation game market, 2021	
1	Company A	Founded in 1998, it is a Chinese internet company headquartered in Shenzhen. It is listed on HKEx and it is also one of the world’s largest social media companies.	Football (3); basketball (1)	926.0	25.0%	
2	<i>Our Group</i>	<i>Founded in 2013, it is a Chinese game company headquartered in Shenzhen.</i>	<i>Football (2); basketball (1)</i>	<i>459.9</i>	<i>12.4%</i>	
3	Company C	Founded in 1997, it is a Chinese internet company headquartered in Beijing. It is a listed company on NASDAQ.	Football (2)	408.5	11.0%	
4	Company B	Founded in 1982, it is an American game company headquartered in Redwood City. It is a listed company on NASDAQ.	Football (2)	393.1	10.6%	
5	Company D	Founded in 1969, it is a Japanese game company headquartered in Tokyo. It is a listed company on LSE.	Football (2)	334.3	9.0%	
				Top 5	2,521.8	68.0%
				Total	3,700.0	100.0%

Source: Data.ai, Frost & Sullivan

Note: The identities of the competitors are not disclosed as the consents from these relevant competitors have not been obtained as of the Latest Practicable Date.

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The following table sets out the four basketball-themed simulation games launched in the PRC as at December 31, 2021 that have acquired IP right licenses from NBA and their respective market share by revenue in 2021.

Game	Description	Market share in mobile sports simulation game market in 2021	Revenue of the game in 2021 (RMB million)
1. Game A	Game A was released in 2017 by a Chinese multinational technology company listed on the Stock Exchange.	11.7%	432.0
2. <i>NBA Basketball Master</i> (籃球大師)		4.7%	176.7
3. Game B	Game B was released in 2020 by a private game developer based in the PRC.	0.4%	15.6
4. Game C	Game C was released in 2019 by a private game developer based in the PRC.	0.1%	3.1

Source: Data.ai, Frost & Sullivan

Note: The names of the competing games are not disclosed as the consents from these relevant game developers and/or publishers have not been obtained as of the Latest Practicable Date.

The following table sets out the 14 football-themed simulation games launched in the PRC as at December 31, 2021 that have acquired IP right licenses from FIFPro and their respective market share by revenue in 2021.

Game	Description	Market share in mobile sports simulation game in 2021	Revenue of the game in 2021 (RMB million)
1. Game D	Game D was released in 2020 by a Chinese multinational technology company listed on the Stock Exchange.	17.0%	630.1
2. Game E	Game E was released in 2018 by a Chinese internet technology company listed on NASDAQ and the Stock Exchange	8.7%	321.3
3. Game F	Game F was released in 2018 by a Chinese internet technology company listed on NASDAQ and the Stock Exchange.	4.0%	148.4
4. <i>Football Champion</i> (最佳11人 — 冠軍球會)		4.0%	148.2
5. <i>Football Master</i> (足球大師)		3.6%	135.0
6. Game G	Game G was released in 2018 by a Chinese multinational technology company listed on the Stock Exchange.	3.5%	128.5
7. Game H	Game H was released in 2015 by a Chinese multinational technology company listed on the Stock Exchange.	3.3%	122.3

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Game	Description	Market share in mobile sports simulation game in 2021	Revenue of the game in 2021 (RMB million)
8. Game I	Game I was released in 2021 by a private game developer based in the PRC.	0.8%	28.1
9. Game J	Game J was released in 2017 by a private game developer based in the PRC.	0.7%	25.3
10. Game K	Game K was released in 2019 and jointly developed by a private game company based in the PRC and a Chinese internet technology company listed on NASDAQ and the Stock Exchange.	0.6%	21.1
11. Game L	Game L was released in 2019 by a private internet technology company based in the PRC.	0.3%	10.2
12. Game M	Game M was released in 2018 by a private internet technology company based in the PRC.	0.2%	6.3
13. Game N	Game N was released in 2018 by a private game publisher based in the PRC.	0.1%	4.2
14. Game O	Game O was released in 2020 by a private network technology company based in the PRC.	0.1%	2.2

Source: Data.ai, Frost & Sullivan

Note: The names of the competing games are not disclosed as the consents from these relevant game developers and/or publishers have not been obtained as of the Latest Practicable Date.

In 2021, our Company ranked second in the mobile sports game market in the PRC, in terms of revenue from mobile sports game, with a market share of 7.9%. In 2021, our Company also ranked second in the mobile sports simulation game market in the PRC, in terms of revenue from mobile sports simulation games, with a market share of 12.4%. In the same year, our Company ranked third in the online sports game market in the PRC, in terms of revenue from online sports game, with a market shares of 5.5%.

In addition to the PRC market, our Company has also expanded our footprint into various overseas markets, among which our Directors consider, based on the available market data and our overseas performance in 2021, Vietnam and South Korea as the most material overseas markets of our Group during the Track Record Period, where we launched our *Football Master* (足球大師) and *Football Champion* (最佳11人 — 冠軍球會). Among the football simulation games with IP right licenses from FIFPro, *Football Champion* (最佳11人 — 冠軍球會) ranked first with approximately 3.4% market share in the sports simulation game market in Vietnam in 2021. In addition, *Football Master* (足球大師) ranked second with approximately 2.4% market share in the sports simulation game market in Vietnam in 2021. Among the football simulation games with IP right licenses from FIFPro, *Football Champion* (最佳11人 — 冠軍球會) ranked third with approximately 0.8% market share in the sports simulation game market in South Korea in 2021. The

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rankings and market shares of *Football Master* (足球大師) and *Football Champion* (最佳11人 — 冠軍球會) among the top five football simulation games which have acquired the IP right licenses from FIFPro in Vietnam and South Korea in 2021, are set out below:

Game	Description	Vietnam		South Korea	
		Ranking among football simulation games with IP right licenses from FIFPro ⁽²⁾	Market share in sports simulation game market in 2021 ⁽²⁾	Ranking among football simulation games with IP right licenses from FIFPro	Market share in sports simulation game market in 2021
<i>Football Champion</i> (最佳11人 — 冠軍球會)		1	3.4%	3	0.8%
<i>Football Master</i> (足球大師)		2	2.4%	6	0.01%
Game R	Game R was released in 2016 by an American game company listed on NASDAQ.	3	2.3%	—	—
Game P	Game P was released in 2011 by a private game developer based in the UK.	4	2.0%	4	0.8%
Game H	Game H was released in 2015 by a South Korean game publisher listed on Tokyo Stock Exchange ⁽³⁾ .	5	1.8%	1	16.5%
Game D	Game D was released in 2020 by a South Korean game publisher listed on Tokyo Stock Exchange ⁽⁴⁾ .	—	—	2	9.7%
Game Q	Game Q was released in 2013 by a private game developer based in the UK.	—	—	5	0.7%

Source: Data.ai, Frost & Sullivan

Note:

- (1) The names of the competing games are not disclosed as the consents from these relevant game developers and/or publishers have not been obtained as of the Latest Practicable Date.
- (2) The rankings and market shares are calculated based on the top-up amount which is defined as payment made by the paying users and credited to the user’s game account, and thus not audited.
- (3) Game H was also released in the PRC in 2015 by a Chinese multinational technology company listed on the Stock Exchange.
- (4) Game D was also released in the PRC in 2020 by a Chinese multinational technology company listed on the Stock Exchange.

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COVID-19 PANDEMIC: INDUSTRY IMPACT

According to the Frost & Sullivan Report, the COVID-19 pandemic will not have any material adverse impact on the growth of online and mobile game market in the PRC and the world. On the contrary, it may boost the growth of online and mobile game market as part of indoor entertainment for self-quarantine during the outbreak of COVID-19. Frost & Sullivan confirms that the market forecast disclosed in this section has taken into account the impact of the outbreak of COVID-19. The online user activity is a significant indicator for assessing the online and mobile game market. According to China Internet Network Information Center, the average online user activity per week in the PRC increased from 27.6 hours in December 2019 prior to the widespread of COVID-19 pandemic to 30.8 hours during the outbreak of COVID-19 pandemic in March 2020 and then resumed back to 26.2 hours in December 2020. Therefore, the outbreak of COVID-19 pandemic in early 2020 in the PRC, to a certain extent, may have temporary favourable impact on the general level of the time users spend on online and/or mobile games as a whole as people may be compelled to stay indoors and opt for indoor entertainment in lieu of outdoor activities such as online and/or mobile games due to various lockdown measures implemented by the local governments.