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## FUTURE PLANS AND USE OF [REDACTED]

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### FUTURE PLANS

Please refer to the section headed “Business — Our Strategies” in this document for further details of our future plans.

### OUR REASONS FOR THE [REDACTED]

Our Directors believe that the [REDACTED] will allow us to fulfill the following objectives:

#### **Genuine funding needs**

Our Directors consider that our expansion plan is capital intensive. We currently expect that the total investment amount for our expansion plan during the years ending December 31, 2022, 2023 and 2024 would be approximately HK\$837.9 million, of which approximately HK\$[REDACTED] million will be financed by [REDACTED] from the [REDACTED] and remainder of approximately HK\$754.8 million will be financed by internal resources and/or bank borrowings.

As at December 31, 2021, our cash and cash equivalents amounted to approximately RMB188.4 million, comprising the proceeds of approximately HK\$77.1 million (equivalent to approximately RMB64.2 million) raised from the issuance of the Pre-[REDACTED] Convertible Bonds to Garena Ventures on June 21, 2021. During the Track Record Period, we recorded net cash generated from operating activities of approximately RMB90.6 million, RMB77.7 million, RMB67.8 million and RMB11.8 million, respectively. For details, please see “Financial Information — Liquidity and Capital Resources — Cash Flow”. If we solely rely on our operating activities to generate cash flow, such cash flow would be sufficient to maintain our business operations at current level, but it may not be economically viable to fully implement our business strategies according to our expected timeline or allow our Group to prepare for unforeseen adversities such as economic downturn and epidemic. Taking into account the capital required to finance our expansion plan for the three years ending December 31, 2022, 2023 and 2024, respectively, and our requirement to maintain a sufficient level of general working capital, we have the genuine needs to satisfy our funding requirements through the [REDACTED]. As such, without the gateway to obtain the proceeds for the [REDACTED] and the further possible equity and debt financings from the capital markets after the [REDACTED], the Group may inevitably be compelled to delay the timetable for the implementation of our Group’s business strategies to promote the existing games and new games in the pipeline, which in turn would adversely affect the Group’s ability to timely capture the potential market opportunities and our sustainable growth.

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Besides, our Directors believe that it would not be practical for us to seek debt financings to fund our expansion plan before the [REDACTED], taking into account the following factors:

- (a) prior to [REDACTED], we mainly funded operations principally from cash flows generated from operating activities and our existing cash and bank balances. While we currently have sufficient internal cash flow for the purpose of our Group’s daily operations, under the circumstances where we require additional funding to fully implement our development and expansion plans to develop new games in the pipeline and to maintain and expand our market share, we may have to seek possible alternatives such as debt financings. However, we operate with an asset-light business model and do not have sufficient assets as collateral for obtaining debt financings in a sufficient amount and on favourable terms or at all.
- (b) subject to the changing market circumstances, part of the external funding required to carry out the expansion plan during 2022 to 2024 may possibly be obtained from debt financings after the [REDACTED]. Our Directors believe that the [REDACTED] status on a reputable stock exchange, such as the Stock Exchange, will ease our Group’s negotiation with banks to obtain the desired debt financings and on more favourable terms to implement our business strategies. The [REDACTED] status can also provide a platform for our Group to access the capital markets for future fund-raising through either (i) issuance of shares or (ii) for debt securities, depending on the prevailing market condition at the time of capital needs.
- (c) upon [REDACTED], our regular financing reporting requirement in compliance with the Listing Rules can enable the banks to evaluate and monitor our Group’s financial position more effectively, and therefore is expected to facilitate the approval process for future bank borrowings. The better accessibility to banking facilities allows us more flexibility in our cash flow management during the course of our business operations and to implement our business strategies.

Therefore, our Directors consider it may not be practicable nor in the best interests of our Company and our Shareholders to seek for and rely on possible debt financings to meet our funding needs to fully implement our development and expansion plans in our current circumstances. By acquiring a [REDACTED] status upon the [REDACTED], we believe that we will have better bargaining power in our negotiation with financial institutions to obtain debt financings with more favourable terms as and when considered appropriate.

### **Necessity of implementing our business strategies to enhance our profitability**

For the future development of our Group, we intend to renew existing IP right licenses and obtain additional IP right licenses from sports leagues, sports associations and sports clubs for the development of our existing and new sports games, further solidify our marketing efforts to actively promote our games to both PRC and overseas markets and further strengthen our talent pool in order to support our development of new mobile sports games and further improve our research and development capabilities. Please refer to “Business — Our Strategies” for further details.

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## **FUTURE PLANS AND USE OF [REDACTED]**

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### **Generate employee incentive and commitment and enhanced corporate image**

We believe the [REDACTED] will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise. The [REDACTED] will also enable us to offer an equity-based incentive program (such as the Share Option Scheme) to our employees that more directly correlates to their performance with our business, allowing our employees to share our success and deepen their commitment to our performance and continued success. We would therefore be in a better position to motivate our employees with any incentive programs that are closely aligned with the objective of creating value for our Shareholders.

### **Strengthen our corporate profile, credibility and competitiveness**

The [REDACTED] will help us increase our status and enhance our competitiveness among our competitors. Our Directors believe that the stringent corporate governance practices associated with our [REDACTED] status will enhance our internal control and risk management procedures to be of an internationally accepted standard as compared to those adopted when we were a private entity. By having a [REDACTED] status not only increases the credibility of our Group, it also increases our Board’s and our Group’s accountability as we comply with the rules and regulations of the market we populate and invites transparency. These serve as a benchmark of measures taking by our Company to protect investors and shareholders. While the additional requirements set out for a company seeking a [REDACTED] on the Stock Exchange is to serve as measures for shareholder protection as well as an indirect advertising for our Company as our image is generally improved once we become listed, and hence improving confidence in our Group among our external stakeholders. This may result in a larger user base, strengthened relationships with new and existing IP right holders, third-party publishers and third-party distribution platforms.

### **Diversification of shareholder base and have more liquidity in [REDACTED] Shares.**

Our Directors believe that the [REDACTED] will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the [REDACTED]. Hence, our Directors consider that the [REDACTED] will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the [REDACTED] of the Shares.

The [REDACTED] does not only provide funds for our Group’s future expansion, but it also generates employee incentive and commitment, strengthens our corporate profile, credibility and competitiveness as well as diversifies shareholder base. For the reasons stated above, our Directors believe that the [REDACTED] is beneficial to us in the long run.

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## FUTURE PLANS AND USE OF [REDACTED]

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### USE OF [REDACTED]

The aggregate [REDACTED] that we expect to receive from the [REDACTED] (after deducting [REDACTED] and [REDACTED] and other estimated expenses in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share) will be approximately HK\$[REDACTED] (equivalent to RMB[REDACTED]). We intend to use the [REDACTED] from the [REDACTED] as follows:

- Approximately [REDACTED]% of our total estimated [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for renewing existing IP right licenses and obtaining additional IP right licenses from sports leagues, sports associations and sports clubs for the development of existing and new mobile sports games. For further details, please refer to “Business — Our Strategies — Renew existing IP right licenses and obtain additional IP right licenses from sports leagues, sports associations and sports clubs for the development of existing new mobile sports games” in this document;
- Approximately [REDACTED]% of our total estimated [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for solidifying our marketing efforts to actively promote our games to both PRC and overseas markets. For further details, please refer to “Business — Our Strategies — We will further solidify our marketing efforts to actively promote our games to both PRC and overseas markets” in this document;
- Approximately [REDACTED]% of our total estimated [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for further strengthening our talent pool and further improving our research and development capabilities. For further details, please refer to “Business — Our Strategies — We will further strengthen our talent pool in order to support our development of new mobile sports games and further improve our research and development capabilities” in this document; and
- Approximately [REDACTED]% of our total estimated [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for working capital and general corporate purposes.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

## FUTURE PLANS AND USE OF [REDACTED]

The following table sets forth our semi-annual planning for use of the [REDACTED] from [REDACTED] to our strategies:

	For the six months ending December 31, 2022 <i>(HK\$'000)</i>	For the six months ending June 30, 2023 <i>(HK\$'000)</i>	For the six months ending December 31, 2023 <i>(HK\$'000)</i>	For the six months ending June 30, 2024 <i>(HK\$'000)</i>	For the six months ending December 31, 2024 <i>(HK\$'000)</i>	Total <i>(HK\$'000)</i>	Approximate percentage of total [REDACTED]
Renew existing IP right licenses and obtain additional IP right licenses from sports leagues, sports associations and sports clubs for the development of existing and new mobile sports games	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Actively promote our games to both PRC and overseas markets	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Strengthen our talent pool	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

In the event that the [REDACTED] is fixed below or above the mid-point of the indicative [REDACTED] range, the [REDACTED] allocated to the above purposes will be adjusted on a pro rata basis.

If the [REDACTED] is set at HK\$[REDACTED] per [REDACTED] (being the high-point of the indicative [REDACTED] range), we will receive additional [REDACTED] of approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per [REDACTED] (being the low-point of the [REDACTED] range), the [REDACTED] we will receive will be reduced by approximately HK\$[REDACTED]. We intend to apply the [REDACTED] to the above purposes on a pro rata basis.

Should our Directors decide to re-allocate the intended use of [REDACTED] to other business plans to a material extent and/or there be any material modification to the use of [REDACTED] as described above, we will make appropriate announcement(s) in due course.

To the extent that the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only place such funds in short-term interest-bearing accounts at authorized financial institutions and/or licensed banks and we will not use such [REDACTED] to purchase short-term investment products or money market instruments.