

## RISK FACTORS

An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled “Forward-looking Statements” of this document.

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### **Our success and revenue growth depends on our ability to attract new clients and retain our existing clients.**

Our ability to generate sustainable and/or increased revenue depend on our ability to retain, deepen or expand our relationships with existing clients, which primarily including game product developers, as well as our ability to attract new clients. In order to retain and attract new clients, we need to continue to provide effective marketing and operation services that enhance our clients’ monetization capabilities.

We cannot assure you that our core capabilities will enable us to successfully satisfy clients’ needs, retain existing clients, deepen or expand our relationships with our existing clients or attract new clients in the future. During the Track Record Period, we typically enter into service agreements with developers of game products for a term of three years. However, our clients are generally not obligated to enter into service agreements with us on an exclusive basis or be bound by any long-term contracts beyond the existing terms. Failure to retain existing clients or attract new game product developers to utilize our services may materially and adversely affect our business, financial condition, result of operations and prospects.

Therefore, we cannot assure you that our services will remain attractive to our clients and that they will continue to use our services or that we will be able to replace, in a timely or effective manner, departing clients with potential clients that deliver comparable level of revenue. Any loss or deterioration of our relationships with any of our clients may result in loss to our revenue and, in turn, materially and adversely affect our business and results of operations.

#### **We are subject to concentration risk as a substantial portion of our revenue was generated from our major clients for marketing and operating game products.**

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, (i) our five largest clients in each year/period contributed to approximately 92.0%,

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95.2%, 80.4% and 78.1% of our total revenue for the same year/period, respectively; and (ii) our largest client in each year/period contributed to 48.6%, 43.9%, 31.7% and 32.0% of our total revenue for the same year/period, respectively. We cannot guarantee that our major clients will continue to partner with us or reduce their business with us. Moreover, we cannot guarantee that our major clients will not have a change of business scope or business model, will continue to maintain their market position and reputation, will not cease to operate or will not experience operational or financial difficulties.

In addition, substantially all of our revenue during the Track Record Period was generated from provision of online game publishing business to game products developed by our clients. For details, see “Financial Information — Description of Major Components of Our Results of Operations — Revenue — Online Game Publishing Business and Other Marketing Business.” Even though we have started to expand and diversify our client and product base by cooperating with clients in other industries, including online literature creators, we are subject to concentration risk of deriving a substantial portion of revenue from marketing and operation of game products, in particular our signature games. Our failure to provide satisfactory game products’ marketing and operation services to such game developers or successfully market and operate such games may adversely affect our business relationships with them. If any of them decides to decrease or terminate their cooperation with us in the future, it may result in a material and adverse effect on our business, financial condition and results of operations.

In addition, given the rapidly evolving nature of online or mobile games industry, the business growth of game developers or publishers is subject to various factors, including the general economic conditions, end-users’ leisure time and spending, and amendments of relevant laws, rules and regulations in the online or mobile games industry. Should there be (i) any decline in the number of end-users of these games, (ii) any failure by the game developers to upgrade, enhance or optimize these games in a timely manner or at all, (iii) any lasting or prolonged server interruption due to network failures or other reasons, or (iv) any other unfavorable changes made to these games, our business, financial condition and results of operations could be affected. Any fluctuation in the overall development of the online or mobile games industry may reduce demand for our clients’ game products and thus materially and adversely affect our business, financial condition and results of operations. Moreover, we cannot assure you that we are able to successfully expand our business or attract new clients from other industries. In the event that we are unable to expand our client base, we may experience slower or no growth at all or decrease in our revenue, and our business, financial condition and results of operations could be materially and adversely affected.

**If the mobile game products that we market and operate fail to satisfy the preferences of end-users, our business, financial condition and results of operations may be materially and adversely affected.**

End-user preferences on different mobile game products are subject to evolving changes and different content capture different audience demographics. The marketing and operation services for mobile game products require us to continuously identify the industry trends and preferences of the end-users of our clients’ products. Our growth depends, in part, on our ability

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to develop tailored marketing and in-depth operation services which adapt to end-users’ ever-changing preferences.

While we have strived to identify the end-users’ needs and changes in their preferences, there is no assurance that we will be able to continue to accurately define the target end-users, promptly respond to the changes in their preferences or efficiently adapt to the market trends and industry development. The marketing campaigns we produce may not be receptive to the end-users as other advertisements or marketing services released or distributed by our competitors. We derived a substantial portion of our revenue from marketing and operating massively multiplayer online role-playing games (MMORPG). Any change in our target end-users’ preferences towards such types of games could materially and adversely affect our market share and financial performance if we cannot timely and proactively react and adapt to such change. Any of the aforementioned circumstances may have a negative impact on our clients’ interest in our services, which may materially and adversely affect our business, financial condition and results of operations.

**The laws and regulations regulating online games in China will be amended at times, which may make it difficult for us or our clients to promptly obtain or maintain all applicable permits and approvals and may have a material and adverse effect on our business and results of operations.**

Our business requires us to obtain and maintain applicable licenses and permits, such as Value-added Telecommunications Operation License to support our lawful operations. See “Business — Licenses and Permits” for details. The laws and regulations on our online game publishing business and other marketing business, digital analytics and internet-related industries, and the licensing and permit requirements pertaining to companies operating in these industries, will be amended at times. We cannot assure you that we will always be able to maintain our existing licenses or obtain new ones required for conducting our business in all jurisdictions where we operate or have business presence. If any government considers that we are operating without the proper licenses or permits or promulgates new laws and regulations that require additional licenses or permits or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by such government may have a material and adverse effect on our business, financial condition and results of operations.

The general office of the Ministry of Culture and Tourism (中華人民共和國文化和旅遊部), or the MOCT, released the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Culture Operation License to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》) (the “**Notice**”), which specifies that the MOCT no longer assumes the responsibility for the administration of the online game industry and no longer approves or issues the Internet Culture Operation Licenses within the business scope of “operating online games via the internet,” “operating online games via the internet (including the issuance of virtual currencies used for online games)” or “conducting trade of virtual currencies used for online games via the internet.” However, there is no assurance that

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the aforementioned business activities would not be regulated by other relevant government authorities in the future. If we are not able to obtain the relevant licenses for our marketing and operation of gaming products in a timely manner, or at all, after the promulgation of new laws and regulations that require us to do so, we may be required to suspend or cease our business operations, which could materially and adversely affect our results of operations and financial condition. We will closely monitor the latest regulatory developments and make every effort to comply with any new regulations and policies.

Pursuant to relevant PRC laws and regulations, the official launch and monetization of online games that we are licensed from our clients in the PRC is subject to the preapproval from and issuance of game publication numbers by the National Press and Publication Administration (the “NPPA”). Historically, the NPPA at the national level temporarily suspended approval of game publication and issuance of publication numbers for online games in July 2021 and resumed to issue game publication numbers by batches periodically beginning in April 2022. As the regulatory authorities have received a large number of game publication applications which are to be reviewed, it may take some time for all of the existing game publication applications to complete the process and obtain game publication numbers. Therefore, there is uncertainty as to when our clients will be able to complete game publication and obtain the game publication numbers for new games in a timely manner, or at all. If our clients fail to obtain preapprovals from the NPPA, none of them can be successfully launched and monetized in China as scheduled, or at all, and they may be ordered to be suspended or cease operation, which could materially and adversely impact our ability to introduce new games and our business growth and prospects. In addition, we may be subject to administrative or other penalties for any games we are licensed from our clients and operated without obtaining requisite preapprovals from the NPPA.

### **We face risks related to natural disasters, health epidemics and other outbreaks beyond our control, which presents challenges to our business.**

Natural disasters, health epidemics, or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS), Ebola, Zika and COVID-19, and other factors beyond our control, such as power, water or fuel shortages, failures, malfunction and breakdown of information management systems, and potential terrorist attacks.

The COVID-19 pandemic has resulted in significant disruptions in the global economy. COVID-19 has resulted in travel restrictions and the temporary closure of offices and facilities, among other responsive measures, in many countries and regions. New COVID-19 variants have also emerged, potentially extending the period during which COVID-19 will negatively impact the global economy. The future development of the COVID-19 pandemic is uncertain. The extent to which it may affect our results of operations, financial condition and cash flows will depend on the length and future development of the pandemic, including the severity of the multiple variants. To the extent the COVID-19 pandemic adversely affects our business and results of

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operations, it may also have the effect of heightening many of the other risks described in this document.

We are also vulnerable to natural disasters and other calamities. Our servers and back system are primarily hosted and maintained at cloud servers that are not operated by us. We cannot assure you that our cloud service providers will have adequate measures to protect themselves from, and that our business and operations will not be affected by, the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Our operation could also be severely disrupted if our suppliers, users or business partners were affected by such natural disasters or health epidemics. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology system failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services through our system.

**The mobile game industry is highly competitive. If we are unable to compete effectively with existing or new competitors, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we may fail to compete with and be driven out by the market leaders in the mobile game industry, given their dominant market share and position.**

The industry we operate in is, and will continue to be highly competitive, with a majority of competitors focusing on specific use cases, end markets and/or types of point solutions. According to Frost & Sullivan, we accounted for 3.5% of the total market share of the mobile game market in 2022, but the top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022. We may fail to compete with and be driven out by those market leaders in the mobile game industry, given their dominant market share and position.

In addition, some of our competitors may have acquired more user traffic, established stronger brand recognition, developed more extensive commercial relationships, had access to more financial, technical, marketing or other resources than we do. Consequently, such competitors may be able to develop services or launch products or introduce new business methods better received by end-users or may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulations or users’ needs. We cannot assure you that we will be able to compete successfully against new or existing competitors, or against new business methods, technologies or solutions implemented by them. In addition, the increasing competition we experience in the mobile game industry, may also reduce the number of our end-users or the growth rate of our end-user base or reduce the in-game purchases. All of these competitive factors could materially and adversely affect our business, financial condition and results of operations.

We compete to attract and retain clients based on various factors, such as the quality of end-user experience, the reliability and security of our services, the ability to invest in leading technology, as well as the access to distribution channels and multi-channel automation. Any

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existing or potential competitor may also choose to operate based on a different pricing model or undercut prices in order to increase its market share, which may have a material and adverse impact on our financial condition and results of operations. See “— Risks Relating to Our Business and Industry — Our success and revenue growth depends on our ability to attract new clients and retain our existing clients.” We also compete for hiring and retaining skilled and motivated employees, including technology and marketing talents. See also “— Risks Relating to Our Business and Industry — We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.”

Moreover, if our competitors continuously invest to innovate, expand their business and deepen end-user reach and engagement, we may be outcompeted in any of these areas. Lower solution prices or innovative solutions offered, increased investments made by our competitors may require us to divert significant managerial, financial and operating resources in order to be competitive, which ultimately may reduce our market share and negatively impact the growth of our business. See “— If we cannot continue to innovate, adapt and respond timely and effectively to rapidly-changing technologies and evolving clients’ needs in the mobile game industry, our business, financial condition or results of operations and prospects could be materially and adversely affected.” We may be subject to further competition if any of our competitors enter into business partnerships or alliances or raise significant additional capital, or if established companies from other market segments or geographical markets expand into our market segment or geographical market. If we are unable to compete successfully against our current or potential competitors, our ability to retain clients may be adversely affected, the level of economic activity and end-user engagement may decrease and our market share and profitability may be negatively affected, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brand.

Certain analysts had predicted that the global mobile games market is expected to decline for the first time since the beginning of the smartphone era with the revenue forecasted to fall by 6.4% in 2022. Our Directors are of the view that such market outlook would not have a material adverse impact our financial performance and business operations. See “Business—Impact of Market Look on Mobile Game Industry”. However, there is no assurance that we will be able to deal with any material market volatility, and if we fail, our business and results of operations may be materially and adversely affected.

### **Our business and financial performance may be affected by the time of new game products’ launching and their performances.**

During the Track Record Period, substantially all of our revenues were derived from marketing and operating online game products. In order to maintain our competitiveness and as part of our overall growth strategy, we need to launch new games to attract and retain paying users. In 2020, 2021, 2022 and the four months ended April 30, 2023, we launched 24, 73, 101 and 17 game products, respectively. New game products generally require significantly higher marketing efforts. As such, our the time of our new game products’ launching. In addition, it may require some time for our newly launched game products to attract paying users and

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therefore the performance of newly launched game products may adversely and materially affect our business and financial performance.

**We operate in a rapidly evolving and developing industry, which makes it difficult to evaluate our future prospects.**

We operate in China’s mobile game industry. The industry we primarily operate in is rapidly evolving and may not develop as we anticipate, which makes it difficult to evaluate our future prospects. We are subject to a variety of laws and regulations which are crucial to our business. The introduction of new service solutions, or other actions that we may take in the course of our business may subject us to additional laws, regulations, or other government scrutiny. Also, the recent implementation of regulations and policies by regulatory authorities may also affect the operations of our collaborating online media platforms and our collaborating distribution channels, and further affect our decision to cooperate with them and our business, results of operations and prospects.

Our business strategies are also subject to ongoing changes and development of the industry. These changes may not achieve expected results and may have material and adverse impacts on our financial condition and results of operations. You should consider our business and future prospects in light of the risks and challenges we may encounter, including, among other things, our ability to:

- attract new clients and retain existing clients;
- anticipate or respond to changes in the competitive landscape, or improvements in the functionality of competing solutions that reduce or eliminate one or more of our competitive advantages;
- innovate and adapt our solutions to meet evolving needs of current and potential clients;
- maintain and enhance the attractiveness and usefulness of our solutions to clients;
- maintain or enhance end-user experience;
- effectively market and operate game products and achieve anticipated financial performance;
- comply with existing and new laws and regulations applicable to our business;
- maintain or increase the breadth of implementing our solution in different industry verticals;
- develop and maintain a scalable, high-performance technology system that can efficiently and reliably manage increased usage, as well as the deployment of new features and solutions;

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- maintain trust of clients and end-users in us, our operations and solutions;
- expand collaboration partners, including collaborating media platforms;
- accurately forecast our future results of operations and improve our operational efficiency;
- attract, retain and motivate talented employees; and
- increase brand awareness among existing and potential clients/end-users through various marketing and promotional activities.

Any one of the factors referred to above or the cumulative effect of any combination of factors referred to above may result in our results of operations being below our expectations, or may result in significant fluctuations in our results of operations. This variability and unpredictability could result in our failure to meet our business plan for any period. If we fail to address the risks and uncertainties that we face, our business, financial condition and results of operations could be adversely affected.

**If the mobile game industry fails to continue to develop, or develops or grows at a slower pace than expected, our profitability and prospects may be materially and adversely affected.**

During the Track Record Period, we primarily served game product developers. Our business and prospects depend on the continuing development of mobile game industry, which may be affected by a number of factors, including:

- technological innovation or new business models or the changing requirements of clients;
- acceptance of us as an effective marketing channel and the emergence of other alternative collaborating distribution channels;
- changes in regulations or policies affecting our services;
- development of more contents to satisfy the evolving preferences of end-users; and
- growth of game product developers at large.

Such factors may be beyond our control. There is no assurance that the mobile game industry will continue to develop. Our business, financial condition, results of operations and prospects will be materially and adversely affected if the mobile game industry fails to grow or grows at a slower pace than we expect.



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**Our historical operating results may not be indicative of our future growth, and, if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.**

We recorded revenue of RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7 million and 2,448.3 million for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively.

While our business has grown since 2020, we cannot assure you that we will be able to sustain our such growth rate for various reasons, including uncertainty of our continuous marketing and operation of mobile game products, intensified competition within the mobile game industry in China and amendments in the governing laws and policies which may have an impact on our business. Our revenue, expenses and results of operations may vary from period to period due to factors beyond our control. We cannot assure you that our future revenue will increase or that we will continue to be profitable. Accordingly, [REDACTED] should not rely on our historical results as an indication of our future financial or operating performance. We plan to achieve our business growth by implementing a series of strategies, such as broadening game product content and expand into new verticals, continuing to enhance our intelligence technologies and invest in technology and innovation, further enhancing brand development capabilities and expand offline consumer access channels, advancing the full lifecycle value chain and selectively pursuing strategic acquisition. There is no assurance that we will be able to implement our business strategies and expansion plans successfully, which in turn are subject to uncertainties and changing market conditions. In particular, our continued growth may subject us to the following challenges:

- ensuring the productivity of a larger team and recruiting, training and retaining talented personnel for our growing operations;
- successfully optimizing our existing marketing and operations of game products and launching new solutions that gain market acceptance;
- maintaining effective operational, financial and management controls across a larger operating scale; and
- responding to evolving industry standards and government regulations that impact our growing business.

In addition, our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage continuing expansion and growth of our operations and workforce, we will need to continue to improve our personnel management, transaction processing, operational and financial systems, policies, procedures and controls, which could be particularly challenging as we expand to new operations with different and incompatible systems in new industries or geographic areas. These efforts will require significant managerial, financial and human resources. There can be no assurance that we will be able to effectively manage our growth or to implement all these systems, policies,

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procedures and control measures successfully. If we do not manage our growth well, the efficacy and performance of our services may suffer, which could harm our reputation and reduce demand for our services. Failure to manage future growth effectively could have an adverse effect on our business, financial condition and results of operations.

### **We may not be able to achieve our anticipated benefits and financial performance from our new business.**

We are exploring and will continue to explore other business, including in industries and markets in which we have limited or no experience, as well as new business models that may be untested or even create new markets. For example, our in-house developed instant food brand “Zha Zha Hui” was launched in late 2020. Such business are new and evolving, some of which are still at trial stage and may prove unsuccessful. We may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits that we expect to achieve or it may be more costly to do so than we anticipate. If, for any reason, the benefits we realize are less than our estimates, or the implementation of such business, strategies and operating plans adversely affects our operations, or it costs more or takes longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition and results of operations may be materially and adversely affected. Further, we may incur increasing sales and marketing expenditures, personnel expenses and compliance costs as more efforts on service development, brand and service promotion, general administration and legal compliance are required for our businesses newly launched or to be launched, and no guarantee on the effectiveness of our efforts can be given. Such expansion also increases the complexity of our operations and places a significant strain on our management, operational and financial resources. The challenges involved in expanding our business require our employees to handle new and expanded responsibilities and duties. If our employees fail to adapt to the expansion or if we are unsuccessful in hiring, training, managing and integrating new employees or retraining and expanding the roles of our existing employees, our business, financial condition, results of operations and prospects may be materially harmed. See also “— Risks Relating to Our Business and Industry — We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.”

As a result, we cannot assure you that any of our business will achieve wide market acceptance, increase the penetration of our addressable market or generate revenue or profit. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenue or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

### **The breakdown of our revenue by business model may affect our financial performance and results of operations.**

The breakdown of our revenue by business line and business model (i.e., online game publishing business under the self-run and joint-run model) may affect our financial performance and results of operations. During the Track Record Period, a substantial majority of our revenue

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from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%, 82.8%, 72.2%, 73.0% and 65.1% of our revenue from our online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. In the meantime, revenue from marketing and operating online game products attributable to the joint-run model increased quickly as a general trend. Revenue from marketing and operating online game products attributable to the joint-run model was RMB453.3 million, RMB977.2 million, RMB2,383.8 million, RMB753.9 million and RMB814.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively, accounting for 15.8%, 17.2%, 27.8%, 27.0% and 34.9% of our revenue from our online game publishing business during these periods, respectively. As our gross profit margin under the joint-run model is generally lower compared to that under the self-run model, our overall gross profit margin may decline if a higher portion of our revenue is derived from the joint-run model.

**If we cannot continue to innovate, adapt and respond timely and effectively to rapidly-changing technologies and evolving clients’ needs in the mobile game industry, our business, financial condition or results of operations and prospects could be materially and adversely affected.**

China’s digital mobile game industry is fast-growing and subject to rapid and frequent changes in technologies, evolving clients’ needs and frequent introduction of new products. Without the timely introduction of new solutions and enhancements, our solutions could become technologically or commercially obsolete over time, in which case our revenue and results of operations would suffer. New client demands, superior competitive offerings or new industry standards could result in unanticipated and costly changes to our platform or business model. Failure to continue to innovate, or effectively identify and address new clients’ needs could severely damage our market position and erode our market share, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects. We have organically built our proprietary technology platform to support our business and corporate strategy, particularly the Hetu (河圖) system, our business intelligence analytics engine and the Luoshu (洛書) system, our intelligent end-user engagement system. See “Business — Our Technology Capabilities” for details. However, we must regularly introduce and upgrade our solutions and technologies to maintain and improve the technological competitiveness of our solutions and capabilities in order to meet evolving client demand and developing industry standards. We will need to continue to invest significant financial resources in product and infrastructure development to keep up with the pace of technological advancements as we continue to grow with a broader client base.

**Failure to maintain the success and extend the lifecycle of the game products and competition from other products of the same genre with similar content may materially and adversely affect our business and results of operations.**

The game products we market and operate generally experience several stages in their lifecycles, including (i) the growth stage, during which we build up an end-user base and achieve market coverage; (ii) the maturity stage, during which the game products tend to continuously and steadily generate revenue and the number of end-users generally remains stable; and (iii) the recession stage, during which the number of end-users and revenue generated decline. As a

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result, as our existing game product portfolio gradually progresses to a later stage of lifecycle, revenue generated from the relevant game products will typically decrease over time. The mobile game products we market and operate generate a significant portion of their revenues from either the growth stage or the maturity stage. However, the lifecycle stages vary from product to product and may not be indicative of a product rate of growth and revenue-generating capability. In addition, we cannot assure you for how long a product would stay at each lifecycle stage, or that a product with a shorter maturity stage may generate more revenue than a product with a longer maturity stage.

We cannot assure you that the products we market and operate can remain attractive to end-users as long as we expect, given that end-users change their preferences all the time. Furthermore, the genre, presentation and content of the products we market and operate are possible to be adopted, imitated or replicated by other competitors. They may leverage more abundant capital resources and more extensive distribution networks to market similar products that compete directly with the products we market and operate. As a result, our end-user base may be eroded and the level of user engagement with the products we market and operate may decrease. If the products we market and operate become less attractive or if the revenue generated from these games declines in any short or extended period of time for any reason, our business, financial condition and results of operations could be materially and adversely affected.

**We are subject to risks associated with our collaborating business partners. Any delay or failure by such parties to successfully perform their obligations, provide reliable or satisfactory services, or operate their businesses could adversely affect our business and results of operations.**

We collaborate with third-party online media platforms to provide user traffic and distribute our marketing campaigns to reach potential end-users and monetize the game products. We maintain long-term relationships with various leading online media platforms in China, which enable our clients’ game products to reach vast potential end-users. We also expand our business coverage to fast consumer food industry. We sell our instant prepared rice noodles on certain e-commerce platforms as well as offline stores.

We may rely on certain collaborating media platforms in promoting our games and in acquiring new users. We incurred approximately 58.3%, 87.8%, 84.5% and 83.8% of our total selling and marketing expenses for 2020, 2021, 2022 and the four months ended April 30, 2023, respectively, to promote the game products we market and operate via our top five collaborating media platforms, and 30.2%, 52.3%, 53.8% and 51.0%, respectively, of our total selling and marketing expenses for 2020, 2021, 2022 and the four months ended April 30, 2023, to the largest collaborating media platform.

We depend in part on our collaborating business partners, including mobile application stores, online media platforms and e-commerce platforms, to distribute the game products we market and operate, and conduct marketing campaigns and e-commerce activities. However, such platforms or their authorized agents may change any of terms under our framework agreement

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with them, or elect to collaborate with our competitors for more favorable terms. They may also place significant restrictions, including temporary take-downs of the game products we market and operate, restrictions on the use of specified creative content or format, which may prohibit advertisements from specific market segments or industries. In addition, in the event that any of our collaborating business partners lose its leading market position, or becomes less attractive to end-users for any reason, such as any negative publicity associated with it, or any negative development with respect to its market position, financial condition, maintenance of its platform infrastructure or compliance with legal or regulatory requirements in China, it may lead to a significant decrease in its end-user base, which in turn would affect the reach and popularity of advertisements or marketing campaigns or sales of our and our clients’ products on it and further affect its attractiveness to our clients and us. If there is any loss or deterioration of our relationship with existing collaborating business partners and their authorized agents or if we violate the policies of any app stores, online media platforms or e-commerce platforms and are suspended from placing marketing campaigns with them or sell and distribute our products on their platforms, or if we fail to develop relationship with new online media platforms to expand the reach of potential consumers, we may not be able to find replacement from other platforms in a timely and cost-effective manner, or at all, which may materially and adversely affect our business, financial condition and results of operations.

In addition, we leverage the collaborating distribution channel’s user base, marketing resources and back-end system for our joint-run model operations. These channels are mainly mobile application stores where do not have direct effective control. We are also required to comply with policies which may be amended from time to time of such mobile application stores and any violation of such polices or failure to meet other requirements of such mobile application stores may lead to take-downs of the game products we market and operate, negative ratings and rankings, and restrictions on our end-user traffic, which may have an adverse impact on our business operations and financial performance. In addition, any delay or failure of performance by such collaborating distribution channels to continue operations, comply with applicable laws and regulations or any negative publicity on these collaboration channels could damage our reputation, expose us to significant penalties and decrease our total revenues and profitability. We cannot assure you that we will continue to maintain favorable relationships with such collaborating distribution channels, and any failure to do so could materially and adversely affect our business and results of operations could be materially and adversely affected.

**We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.**

Due to the nature of our online game publishing business and other marketing business, we may be subject to legal proceedings and claims relating to the IP rights from time to time in the ordinary course of our business. There are uncertainties associated with legal proceedings. If the court rules against us, we may be ordered to cease operations of certain of our business, which may in turn have a material and adverse effect on our business, financial condition and results of operations, as well as cause negative publicity and tarnish our reputation. We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other IP rights held by third parties.

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We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the IP rights of others. As of the Latest Practicable Date, we were subject to four ongoing IP-related lawsuits (Lawsuits A, C, D and E) in the PRC. Lawsuits A and C had been ruled partially in favor of the plaintiffs by the relevant lower courts and were pending before the appellate courts. We have received the final judgments for Lawsuits B and D, pursuant to which Lawsuit B had been closed and Lawsuit D was under enforcement procedures as of the Latest Practicable Date. Based on the current rulings and pending the appellate courts’ review (where applicable), the total monetary damages in connection with Lawsuits A, B, C and D paid or payable by us and other co-defendants was RMB9.15 million. As of the Latest Practicable Date, Lawsuit E was still at an early stage.

From July 2017 to October 2019, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed four lawsuits in courts in Beijing, Shanghai, Hangzhou and Chengdu, with respect to four games that we operated, alleging, among others, that (i) such games marketed and operated by us infringe copyrights of the plaintiffs; and (ii) some of those games involve misleading advertising or unfair competition. As of the Latest Practicable Date, we had received final judgment from the appellate court with respect to Lawsuits B and D, while Lawsuits A and C remained pending in the relevant appellate courts. Revenue attributable to the games subject to the ongoing IP-related lawsuits, as a percentage of our total revenue, declined during the Track Record Period, accounting for 56.4%, 25.5%, 13.5% and 11.5% of our total revenue in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. We expect that the revenue percentage attributable to such games will continue to decline in the future, as we further diversify the game portfolio.

In addition, in March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the provincial court in Fujian Province alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate the PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. This lawsuit is still at its early stage. For further details of the aforementioned lawsuits, see “Business — Legal Proceedings and Compliance — Legal Proceedings.”

We are vigorously defending ourselves in the ongoing lawsuits, and we believe we have valid legal grounds to defend these claims. However, the application and interpretation of China’s copyrights laws will be amended at times, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. We cannot assure you that we will not be subject to similar legal, regulatory and/or administrative proceedings in the future. In case of any disputes or lawsuits, there can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment, ruling or decision against us. Any of these or future proceedings or actions or claims, with or without merit, could be costly and distract our management from day-to-day operations. We may incur substantial legal expenses in defending against such infringement claims, regardless of their merits. If we fail to successfully defend against these claims or do not prevail in such proceedings, we may be prohibited from using the relevant IP rights, subject to fines and penalties, or be required to modify or cease operation of

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the game products we market and operate, or enter into royalty or licensing arrangements with use fees or be forced to develop alternatives on unfavorable commercial terms, which in turn could materially and adversely affect our business, financial condition and results of operation.

**A vast majority of our revenue depends on the gross billings of the game products we market and operate, and failure to monetize effectively through in-game purchases may adversely affect our business.**

A vast majority of our revenue depends on the gross billings of the game products we market and operate. We typically charge the client a service fee as a percentage of the gross billings from in-game purchases of the marketed product by end-users. In 2020, 2021, 2022 and the four months ended April 30, 2023, our average MPUs were 660.6 thousand, 1,121.7 thousand, 1,770.4 thousand and 1,165.8 thousand, respectively, representing 13.0%, 15.7%, 17.7% and 12.4%, respectively, of the average MAUs for the same years/periods. As a result, the numbers of our registered end-users and active end-users do not necessarily indicate our actual and potential revenue-generating capabilities.

Our sustainable revenue growth depends in part on our ability to effectively encourage more players to make or increase their in-game virtual item purchases. However, spending in the game we operate is discretionary, and end-users can be sensitive to the price of the virtual items. Consequently, we have made great efforts in marketing in-game virtual items and carefully assess the pricing of these items to optimize user monetization, but these efforts may not be as effective as we anticipate. We might also fail to identify and introduce new and popular virtual items and price them appropriately.

We also need to provide easy, fast and safe payment solutions to our end-users to facilitate in-game purchases and prevent our end-users from being discouraged or inconvenienced by complicated online payment processing procedures. We cannot assure you that our third-party payment service providers will operate consistently in an efficient way, and any interruption of their payment services could affect the monetization of our end-user base, which in turn could adversely affect our revenue and profitability. See “— Risks Relating to Our Business and Industry — We collaborate with third-party online payment channels for payment collection. Any interruption of their services or unintended leakage of confidential information may materially and adversely affect our reputation and business” for more information on our cooperation with third-party online payment channels.

**We may be subject to revenue concentration from a small number of paying users in the future.**

There are inherent risks whenever a large percentage of total revenue is concentrated with a limited number of paying users. It may not be possible for us to predict the future level of demand for a game product that happens to generate revenue from a small number of paying users. In 2020, 2021, 2022 and the four months ended April 30, 2023, gross billings contributed from our top 1% paying users accounted for 55.4%, 60.2%, 60.1% and 49.8%, respectively, of our total gross billings for the respective years/periods. Any actions taken by such paying users

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could have an adverse effect on our results of operations. In addition, in the event that a large percentage of our total revenue is concentrated with a limited number of paying users, our financial performance may fluctuate from time to time for reasons outside of our control. There can be no assurance that we can maintain relationships with such paying users. If any of the foregoing were to occur, we could be pressured to reduce the prices we charge for our services or risk losing them, which could have an adverse effect on our revenue and margins, and could negatively affect our financial position and results of operations.

**We rely on our Hetu (河圖) and Luoshu (洛書) systems to generate certain key operating metrics, and any malfunction or interruption of the technical infrastructure of our Hetu (河圖) and Luoshu (洛書) systems may affect the accuracy of our data analytics.**

We rely on our data analytics capabilities to identify target end-users more accurately, improve end-user experience and optimize our marketing and operation services for game products. In particular, our proprietary business intelligence analytics system, the Hetu (河圖) system, has data analytics and estimation capabilities, which enables us to provide millisecond real-time data inquiry, accurate traffic value prediction, precise marketing and intelligent data analysis. In addition, we have a proprietary intelligent end-user engagement system, the Luoshu (洛書) system, which enables us to distribute and manage marketing campaigns on collaborating online media platforms to enhance the end-user coverage with minimized human operations. As of April 30, 2023, our Luoshu (洛書) system has been connected to over 220 collaborating online media platforms. to achieve one-stop marketing campaign placements. However, the marketing campaign placement capability of our Luoshu (洛書) system is largely dependent on the interface stability between the Luoshu (洛書) system and the collaborating online media platforms. Any technical issues concerning connectivity may adversely affect the functionality of our Luoshu (洛書) system, which may have an adverse effect on our business, financial condition and results of operations.

In addition, our data may be inaccurate due to technical errors, security breaches or hacking incidents. Our clients or our collaborating online media platforms may refuse to share any such data with us. Therefore, we may fail to gather or retain critical data in time, or ensure the accuracy and quality of data, which would yield inaccurate or misleading analytical results. If our clients do not perceive our metrics to be accurate representations of the outcome or effects of our marketing campaigns, or if we discover material inaccuracies in our operating metrics, our reputation may be harmed and clients may be less willing to allocate their resources to us, which could materially and adversely affect our business and results of operations.

**Failure to maintain or improve our technology system could harm our business and prospects.**

We are continuously upgrading our technology system to strengthen the scale and performance of data generating capabilities to address our clients’ needs. Any failure to maintain and improve our technology system could result in unanticipated system disruptions, slower response times, impaired end-user experience, delays in reporting accurate operating and financial information and failures in risk management. The risks are even higher during certain



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periods of peak usage and activity. If we experience problems with the functionality and effectiveness of our software, interfaces or platform, or are unable to maintain and continuously improve our technology system to handle our business needs, our business, financial condition, results of operations and prospects, as well as our reputation and brand, could be materially and adversely affected. We also face the risks in relation to unstable technology system and susceptible security breaches. See “— Risks Relating to Our Business and Industry — Systems disruptions or other hacking and phishing attacks on our systems and security breaches may delay or interrupt services to our clients and their end-users, harm our reputation and subject us to significant liability, which, in turn, may adversely affect our business, financial condition and results of operations.” This instability or susceptibility could create serious challenges to the security and uninterrupted operation of our solutions and services, which could materially and adversely affect our business and reputation.

Furthermore, our technology systems utilized third-party developed software, systems and technologies, as well as hardware purchased or commissioned from outside suppliers. We face increasingly serious risks to the performance and security of our technology system that may be caused by these third-party developed components, including risks relating to incompatibilities among these components, service failures or delays or back-end procedures on hardware and software.

**Undetected programming errors or defects in our clients’ products, such as gaming product and online literatures could harm our reputation and materially and adversely affect our business.**

Despite the pilot testing prior to the release and throughout the lifecycle of a game product, particularly gaming products and online literatures, are subject to frequent improvement and updates and may contain bugs or flaws that may become apparent only after accessing by end-users. From time to time, end-users may inform our clients of programming bugs affecting their experience, and our clients may not be able to resolve such programming bugs or flaws in a timely manner. The detection and correction of any errors in commercialized game products can be time consuming and costly. Errors in marketed products could affect their ability to properly function or operate, could delay the development or release of new products or new versions of products of our clients. This could also result in security vulnerabilities in our clients’ products and adversely affect market acceptance of our clients’ products, all of which, in turn, will affect the quality and success of our marketing and operation services for game products and our results of operations. As a result, our clients may lose end-users, and our reputation and market acceptance of our game product marketing and in-depth operation service may also suffer, therefore adversely affecting our business.

**We rely on assumptions and estimates to calculate certain operating metrics, and inaccuracies in such metrics may harm our reputation and adversely affect our business.**

Certain operating metrics, such as MAU, MPU, ARPPU, cumulative registered users and other player community related metrics, in this document are calculated using our internal data that have not been independently verified by third parties. While these numbers are based on

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what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. In addition, our operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing our operating performance. We cannot assure you about the indicative value of our operating metrics. They are derived and calculated based on various assumptions and estimates, which may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in data availability, sources and methodology. Any material inaccurate data analytics may lead to inappropriate operational and strategic decisions. If our clients do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and our clients may be less willing to allocate their resources or spending to us, which could adversely affect our business and results of operations.

**Our business generates and processes a large amount of data, including personal and business data, and the improper collection, hosting, use or disclosure of data could harm our reputation and have a material and adverse effect on our business and prospects.**

Our business generates and processes a large quantity of end-user and end-user group profiles based on our analysis of personal data. Upon prior authorization, we have access to and collect, store, process and analyze certain data arising from individual end-users using the game products (such as online games) we market and operate. We implement various data protection measures. We currently retain our data in secure database servers and are granted limit access to such information. Our privacy policies concerning the collection, use and disclosure of personal data are posted on relevant pages of the products we market or operate. For more details regarding how we protect data, see “Business — Data Arrangement and Privacy.” However, we still face risks inherent to handling and protecting a large volume of data, especially end-user data. In particular, we face a number of challenges relating to data security and privacy, including but not limited to:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties, data leakage or fraudulent behavior or improper use by our employees or business partners;
- addressing concerns, challenges, negative publicity and litigation related to data security and privacy, collection, use and actual or perceived sharing (including sharing among our own businesses, with business partners or regulators), safety, security and other factors that may arise from our existing businesses or new businesses and technology, such as new forms of data (for example, biometric data, location information and other demographic information); and
- complying with applicable laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personal data, including requests from data subjects and compliance requirements in accordance with applicable laws and regulations.

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Along with users’ greater awareness of the use of personal data by others, users’ expectations of data privacy and protection are also increasing. User concerns about the extent to which personal information is accessible to, used by or shared with our clients or others may adversely affect our ability to gain access to data and provide services to our clients. Moreover, if a high profile security breach occurs with respect to other game product marketing and operation service providers, people may lose trust in the security of marketing and operation solution providers generally, including us, which could damage the reputation of the whole industry, result in heightened regulation and strengthened regulatory enforcement and adversely affect our business and results of operations. There have been reports of a number of incidents relating to data security and unauthorized use of end-user data by other high-profile Internet and technology companies and their business partners. We cannot assure you that we will always be able to prevent unauthorized individuals or groups from gaining access and obtaining our end-user data for any purpose. The improper collection, use or disclosure of our end-user data could result in loss of confidence or trust in us and subsequently loss of our clients. This may also result in litigation, regulatory investigations, penalties or actions against us, significant damage to our reputation, and have a material and adverse effect on the trading price of our Shares, our business, financial condition, results of operations and prospects.

In addition, we are subject to various PRC laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personally identifiable information with respect to our clients and employees including any requests from regulatory and government authorities relating to this data. See also “— Risks Relating to Our Business and Industry — We are subject to complex and evolving laws, regulations and governmental policies regarding data security and privacy. Actual or alleged failure to comply with data security and privacy laws, regulations and governmental policies could damage our reputation, deter current and potential end-users from using our services and could subject us to significant legal, financial and operational consequences.”

**We are subject to applicable laws, regulations and governmental policies regarding data security and privacy. Actual or alleged failure to comply with data security and privacy laws, regulations and governmental policies could damage our reputation, deter current and potential end-users from using our services and could subject us to significant legal, financial and operational consequences.**

Regulatory authorities have implemented and are considering further legislative and regulatory proposals concerning data security and privacy. New laws and regulations that govern new areas of data security and privacy or impose more requirements may be introduced in the PRC and other jurisdictions where we conduct business and may have the potential to significantly affect the value of our data and require us to change our data security and privacy practices and other business activities.

We are subject to a variety of laws and other obligations relating to the security and privacy of data, including, among others, (i) PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, (ii) PRC Data Security Law (《中華人民共和國數據安全法》), or the Data Security Law, and (iii) PRC Cyber Security Law (《中華人民共和國網絡安全法》), or the Cyber Security Law. See “Regulatory Overview” for a detailed description of the PIPL, the Data

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Security Law and the Cyber Security Law. The PIPL, which came into effect on November 1, 2021, is China’s first national-level legislation on personal data protection, aiming to enhance personal data protection by codifying into law the best practices from home (e.g., the national standards on Personal Information Specification) and abroad (e.g., GDPR). The Data Security Law, which came into effect on September 1, 2021, regulates data processing activities and security supervision in the PRC. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. The Cyber Security Law, which came into effect on June 1, 2017, along with the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (effective since June 1, 2017), and Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) (effective since September 1, 2013), provides that an internet information service provider is required to obtain a user’s consent to collect and use the user’s personal information, and is prohibited from gathering personal information unrelated to its services. The internet information service provider must also (i) explicitly inform the user of the purposes, methods and scope of the information collection and uses and (ii) establish a user information protection system with appropriate remedial measures. Together, these laws and related regulations impose restrictions on the collection, use and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen or tampered with. If a personal data processor wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, the personal data processor must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Personal data processors are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential and take technological and other measures to maintain the security of such information.

Our services involve personal data collection and processing subject to the PIPL, the Data Security Law and the Cyber Security Law. Upon prior authorization, we have access to and collect, store, process and analyze certain data arising from individual end-users using certain game products (such as online games) for which we provide marketing and operation services. The personal information we are authorized to access typically include name, identity card number, e-mail, mobile phone number, address, published content, payment information, device information, log information and certain behavioral data, such as end-user login time, duration of using services, and searched content. We are allowed to access, store, integrate, process and analyze in our database the related data, unless the authorizing party asks us to delete from our database the related data. In addition, we store in our database and own the data insights we generate after processing and analyzing the personal information provided to us. During the Track Record Period, we had not experienced any material breach of the PRC laws and regulation governing data security and privacy or any incidents of data security breach. However, we cannot sure that we will not be found in the future to be in violation of any such laws and regulations, which are subject to changes.

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Additionally, on July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the CII Regulations, which became effective on September 1, 2021. Pursuant to the CII Regulations, critical information infrastructure refers to any important network facilities or information systems of an important industry or field specified. In addition, relevant administration departments of each critical industry and sector are responsible for formulating eligibility criteria and determining the critical information infrastructure in the respective industry or sector. The operators will be informed about the final determination as to whether they are categorized as critical information infrastructure operators, or CIIOs. As of the Latest Practicable Date, no detailed rules or interpretations have been issued and we have not been informed as a CIIO by any governmental authorities. It is uncertain whether we would be deemed as a CIIO under PRC law in the future. If we are identified as CIIO, we will be subject to stricter requirements on business operations and cybersecurity compliance, and we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services, and if a cybersecurity review is applicable, we may be required to suspend providing any existing or new services to our users, and we may experience other disruptions of our operations.

In addition, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the “CAC”) issued on November 14, 2021 the consultation draft of its Cyber Data Security Administration Regulations(《網絡數據安全管理條例(徵求意見稿)》), which, among other things, require companies seeking a listing in Hong Kong to undergo a cyber-security review if the listing in Hong Kong may affect national security. As of the Latest Practicable Date, the consultation draft of the Cyber Data Security Administration Regulations has not been formally adopted. We cannot guarantee whether we will be subject to the cyber security review for our [REDACTED] or if new rules or regulations promulgated in the future will impose additional compliance requirements on us. On December 28, 2021, the CAC and other 12 PRC regulatory authorities jointly published the Measures for Cybersecurity Review (《網絡安全審查辦法》) (“Measures”) which came into effect on February 15, 2022. Pursuant to the Measures, an online platform operator who possesses personal information of more than one million users that seek for listing in a foreign country shall apply for cybersecurity review, and the relevant government authorities may initiate cybersecurity review if they consider that the relevant products, services and data processing affect or may affect national security.

On July 7, 2022, the CAC issued the Measures for the Security Assessment of Outbound Data Transfers (《數據出境安全評估辦法》), which became effective on September 1, 2022. These measures require the data processor providing data overseas and falling under any of the following circumstances to apply for the security assessment of cross-border data transfer with the local provincial-level counterparts of the national cybersecurity authority: (i) where the data processor intends to provide important data overseas; (ii) where a critical information infrastructure operator and a data processor who has processed personal information of more than 1,000,000 individuals intends to provide personal information overseas; (iii) where a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients, in each case as calculated cumulatively, since January 1 of the last year intends to provide personal information overseas; and (iv) other circumstances where the security assessment of data cross-border transfer is required as

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prescribed by the CAC. Furthermore, the data processor shall conduct a self-assessment on the risk of data cross-border transfer prior to applying for the foregoing security assessment, under which the data processor shall focus on certain factors including, among others, the legitimacy, fairness and necessity of the purpose, scope and method of data cross-border transfer and the data processing of overseas recipients, the risks that the cross-border data transfer may bring to national security, public interests and the legitimate rights and interests of individuals or organizations as well as whether the cross-border data transfer related contracts or the other legally binding documents to be entered with overseas recipients have fully included the data security protection responsibilities and obligations. If we are required to report security assessments for cross-border data transfers, we do not foresee any material legal impediments for us to comply with the Measures for the Security Assessment of Outbound Data Transfers in material respects, and would not give rise to material and adverse impact on our business operation or the [REDACTED].

We expect that we will continue to face challenges as to whether our efforts to comply with applicable obligations under data protection, privacy and security laws will be sufficient. In addition, any failure or perceived failure by us or our business partners to comply with any applicable data privacy and protection laws and regulations, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted transfer or confiscation of certain personal information, require us to change our business practices, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with clients, vendors and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law. Any of these could have a material and adverse effect on our business and results of operations.

**Systems disruptions or other hacking and phishing attacks on our systems and security breaches may delay or interrupt services to our clients and their end-users, harm our reputation and subject us to significant liability, which, in turn, may adversely affect our business, financial condition and results of operations.**

We rely heavily on technologies to provide automated and optimized game product marketing and operation services. However, our operations are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology system that supports the offering of our services could materially harm our business and reputation.

Despite our efforts to develop security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of client information,

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or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us, we may be unable to anticipate, or implement adequate measures to protect against, these attacks. There can be no assurance that we would not in the future be subject to such attacks that may result in material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liabilities, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and client dissatisfaction.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our clients, or the information infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Cybersecurity breaches may harm our reputation and business, and materially and adversely affect our financial condition and results of operations.

Moreover, we face inherent risks when handling and protecting large volumes of data, including protecting the data stored in our system, detecting and prohibiting unauthorized data share and transfer, preventing attacks on our system by outside parties or fraudulent behavior or improper use by our employees, and maintaining and updating our database. Any system failure, security breach or third parties attacks or attempts to illegally obtain the data that results in any actual or perceived release of end-user data could damage our reputation and brand, deter current and potential clients from using our services, damage our business, and expose us to potential legal liability. See also “— Risks Relating to Our Business and Industry — Our business generates and processes a large amount of data, including personal and business data, and the improper collection, hosting, use or disclosure of data could harm our reputation and have a material and adverse effect on our business and prospects.”

**We face various risks associated with our rights to use IPs in connection with marketing and operation of game products developed by our clients, which could adversely affect our business and results of operations.**

Our services are provided based on the authorization by our clients which grant us the right to use certain IP rights, especially copyrights and trademarks in connection with our marketing and operation of game products developed or provided by our clients. These authorizations generally have terms ranging between three and five years, some of which may have a longer term, and are typically not automatically renewable, and may be terminated early due to certain reasons such as a material breach. For games we believe to have continuing market potential, we typically discuss with our clients on our intent to extend the authorization beyond the existing marketing and full lifecycle operations or the license period, and enter into new agreements based on the negotiation.

We believe our ability to retain our use rights depends, in large part, on our relationships with our clients. Any events or developments adversely affecting those relationships could

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adversely affect our ability to maintain and extend our rights on similar terms or at all. We cannot assure you that all of the existing rights could be extended if we desire to do so. Under the agreements with our clients, the content providers own the IP rights in the products we are authorized to market and operate, and upon termination of the agreement, we typically no longer have the right to use the license IP rights without our licensors’ consent, unless new contractual arrangements are made. The termination or failure to extend our rights could have a material and adverse effect on our business, financial condition and results of operations. While we may enter into additional agreements in the future, the terms of such license agreements may be less favorable than the terms of our existing agreements, and the underlying IPs may also be less likely to be commercially successful.

If we breach any obligations set forth in any of our agreements with our clients, we could also be subject to monetary penalties and our rights under such agreements could be terminated, either of which could have a material and adverse effect on our business, financial condition and results of operations.

Our success is also partially dependent on the ability of our clients to protect and maintain the IP rights that we use in connection with our services, all of which may be harmed by factors outside our control. See also “— Risks Relating to Our Business and Industry — If we are unable to obtain, maintain and protect our IP rights, in particular copyrights and trademarks, or if our clients are unable to maintain and protect their IP rights that we use in connection with our services and products, our ability to compete could be negatively affected.”

**If we are unable to obtain, maintain and protect our IP rights, in particular copyrights and trademarks, or if our clients are unable to maintain and protect their IP rights that we use in connection with our services and products, our ability to compete could be negatively affected.**

The success of our business, particularly our brand development capability, depends to a significant extent upon the value associated with our IPs. Although certain of our proprietary and authorized IPs, including copyrights and trademarks, have been registered in applicable jurisdictions, there can be no assurance that we will be able to use, maintain or defend them in the future. We rely on copyright, trademark and other IP laws, as well as license agreements, confidentiality agreements or other contractual arrangements of the same or similar nature, to establish and protect our IP rights or other proprietary rights. However, these laws and restrictions may provide only limited protection and any of our IP rights may be challenged, invalidated, circumvented, infringed or misappropriated, including by counterfeiters. The costs required to protect our copyrights, trademarks and other IP rights may be substantial.

In addition, we may fail to apply for, or be unable to obtain, protection for the IPs used in or beneficial to our business, including the IPs we created in exploring other business. We cannot provide assurance that our applications for copyrights, trademarks and other IP rights will be granted, or, if granted, will provide sound and effective protection.

Any lawsuits or proceedings that we initiate to protect our copyrights, trademarks and other IP rights could be expensive, take significant time and divert management’s attention from other



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business concerns. We may not prevail in any lawsuits or other proceedings that we initiate and the damages or other remedies awarded, if any, may not be commercially valuable. Additionally, we may provoke third parties to assert claims against us. See also “— Risks Relating to Our Business and Industry — We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.”

In particular, engaging in online game publishing business and other marketing business may bear the copyrights, trademarks and other IP rights of our clients, and the value of our services is affected by the value of those rights. Our clients’ ability to maintain and protect their copyrights, trademarks and other IP rights is subject to risks similar to those described above with respect to our IP rights. We do not have full control over our clients’ protection of their own copyrights, trademarks and other IP rights and cannot ensure that they will be able to secure or adequately protect their copyrights, trademarks and other IP rights. Moreover, we cannot assure you that the intellectual property rights or licenses held by our clients with respect to games operated by us will not be adjudged as defective, and if such intellectual property rights or licenses are disputed or found to be defective, our operation of such games and our licenses obtained from such clients may subject us to potential IP infringement disputes and lawsuits, and may adversely affect our reputation, business, results of operations and financial performance and divert our managerial attention and resources. We have put in place internal policies and measures to guide our operations without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties, including due diligence on the intellectual property rights of the products that our clients authorize us to market and operate. Despite such policies and measures, we cannot assure you that we will not continue to be subject to legal, regulatory and/or administrative proceedings in the future incidental to our ordinary course of business.

The loss of any of our proprietary or authorized copyrights, trademarks or other IP rights important to our business could have a material and adverse effect on our business, financial condition and results of operations.

**Illegal game servers, unauthorized character enhancements and other infringements of our intellectual property rights, as well as theft of in-game goods and other violations of the policies of the game products we market and operate, could harm our business and reputation and materially and adversely affect our results of operation.**

With the increased competition in the mobile game industry in China, we face the risks of illegal game servers, unauthorized character enhancements and other infringements of our intellectual property rights as well as the risk of theft of in-game goods purchased by end-users. Misappropriation of the server installation software and the establishment of illegal servers of the game products we market and operate could harm our business and reputation and materially and adversely affect our results of operations.

In particular, we face risks associated with illegal game servers, which are game servers that misappropriate the source codes of online games to operate unauthorized copies of online games and permit end-users to play those games or use in-game virtual items without paying.

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Certain of our competitors have reported that their games have been illegally operated on local game servers, and we could experience similar problems in the future. We may also detect unauthorized modifications of our source codes or execution files to enhance the performance of our end-users' game characters, including acquiring special equipment and other performance-enhancing virtual items, and unauthorized optimization of features of game characters. Continued occurrences of such activities in our games may harm our end-users' experience and adversely affect the image of our games and end-users' perception of game reliability, drive away end-users and reduce in-game purchases, shorten the lifespan of games, and adversely affect our results of operations. Incidences of illegal server usage and unauthorized character enhancements were minor during the Track Record Period and they had not had a material impact on the operations of the games we market.

From time to time, we may detect a number of end-users who have gained an unfair advantage by installing tools that fraudulently facilitate character progression. We cannot assure you that we will be able to identify and eliminate new illegal game servers, unauthorized character enhancements or other infringements of our intellectual property rights in a timely manner, or at all. The deletion of unauthorized character enhancements requires the affected end-users to restart with a new character from the starting level, and this may cause some of these end-users to cease playing the game altogether. If we are unable to eliminate illegal servers, unauthorized character enhancements or suffer other infringement of our intellectual property rights, our end-users' perception of the reliability of the game products we market and operate may be negatively impacted, which may reduce the number of end-users, shorten the lifespan of the game products we market and operate and adversely affect our results of operations.

From time to time, end-users may register in scale to obtain in-game virtual items for sale and unauthorized transactions are arranged through third-party channels or platforms which we are not able to monitor or control. Any of these unauthorized purchase and sale could impede our revenue and profit growth by (i) creating downward pressure on the prices we charge end-users for our virtual items, (ii) increasing costs we incur to develop technological measures to curtail unauthorized transactions, (iii) increasing end-user service costs to comfort dissatisfied end-users and (iv) increase our administrative costs related to resolving user disputes and complaints related to the virtual items and accounts. In addition, transactions through unauthorized third-party channels may involve fraud that is beyond our control, and we may face potential claims from our end-users in connection with their losses resulting from third parties' fraudulent activities. These claims, regardless of merit, may harm our reputation, divert our management's attention and cause additional expenses in defending against these claims.

**We cannot assure you that we will be able to design and develop consumer product business that will be popular with consumers, or that we will be able to maintain the popularity of successful products.**

The interests of consumers evolve extremely quickly and can change dramatically from time to time. To be successful, we must anticipate both the IPs and the products that will appeal to consumers and quickly develop and introduce consumer product business that can compete successfully for consumers' limited time, attention and spending.

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Evolving consumer tastes and shifting interests, coupled with an ever changing and expanding pipeline of consumer products and content that compete for consumers’ interest and acceptance, create an environment in which some products and content can fail to achieve consumer acceptance, while others can be popular during a certain period of time but then be rapidly replaced. As a result, consumer products can have relatively short lifecycles. In addition, given the growing market for digital products and the increasingly digital nature of pop culture, there is also a risk that consumer demand for such products may decrease over time. Consumer demand for pop culture products can and does shift rapidly and without warning. Even if our product offerings are initially successful, there can be no guarantee that we will be able to maintain their popularity with consumers. Accordingly, our success will depend, in part, on our ability to continually create and introduce consumer product business or other business that consumers find appealing. To the extent that we are unable to do so, our sales and profitability will be adversely affected. If we devote time and resources to developing and marketing products that consumers do not find appealing enough to meet our sales targets or at all, our sales and profits may decline and our business performance may be damaged.

**We may fail to successfully enter necessary or desirable strategic alliances or make acquisitions or investments, and we may not be able to achieve the anticipated benefits from these alliances, acquisitions or investments we make.**

We may evaluate and consider strategic investments and acquisitions or enter into strategic alliances to expand our business as to further enhance our competitive position. For example, we intend to allocate approximately 10.0%, or HK\$[REDACTED], of our [REDACTED] from the [REDACTED], to explore potential strategic investments and acquisition opportunities. Also, we intend to allocate approximately 10.0%, or HK\$[REDACTED], of our [REDACTED] from the [REDACTED], to improve our technology capabilities, including implementing various marketing and operation software for marketing and operating game products, including firewalls and other internet security software, data transmission software and software for designing marketing materials, and purchasing additional cloud services products, software and other maintenance-related services. To execute such strategies, additional talents may be recruited to support the collaboration between our existing business and new investments and acquisitions so as to enhance the potential of creating synergies with our development strategies. We intend to allocate approximately 4.0%, or HK\$[REDACTED], of our [REDACTED] from the [REDACTED], to recruit more talents focusing on algorithms, data analysis and software engineering with competitive compensation. Investments or acquisitions involve numerous risks, including potential failure to achieve the expected benefits of the integration or acquisition; difficulties in, and the cost of, integrating operations, technologies, services and personnel; potential write-offs of acquired assets or investments; and downward effect on our results of operations. These transactions will also divert our management’s time and resources from our normal course of operations, and we may have to incur unexpected liabilities or expenses, or we may not be able to continue to support the value we allocate to these acquired businesses, including their goodwill or other intangible assets. If we do not successfully execute or effectively operate, integrate, leverage and grow acquired businesses, our financial results and reputation may suffer.

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In addition, we may also in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with potential leakage of proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. Our strategy for long-term growth, productivity and profitability depends in part on our ability to make prudent strategic investment or acquisition decisions and to realize the benefits we expect when we make those investments or acquisitions. While we expect our past and future acquisitions to enhance our value proposition to clients and improve our long-term profitability, there can be no assurance that we will realize our expectations within the time frame we envisage, if at all, or that we can.

**Our focus on long-term performance as well as long-term strategic initiatives and investments may affect our results of operations in the short term.**

We focus on the long-term interests of our clients that utilize our precision marketing and in-depth operation capabilities for game products. We are dedicated to creating sustainable long-term value for them by enhancing our service quality to better address their needs. We have made, and will continue to make, significant investments in developing our technology capabilities to attract new clients and to better serve our clients, enhance client experience, and expand the capabilities and scope of our services.

We believe these investments are important to our long-term success and future growth, but they may have the effect of increasing our costs and lowering our margins and profit, and this effect may be significant in the short term and potentially over longer periods. For example, we have made significant investments to ensure we remain at the forefront of data management, AI development, in-depth operation and marketing automation. There can be no assurance that we will not engage in any investment in business or undertake any strategic initiative that may have similar or larger negative impact on our profitability in the future, or that we will realize the expected benefit of these investments.

**If we fail to maintain and enhance our brand image and generate positive publicity, or if our shareholders, directors, officers, employees and business partners are involved in negative publicity and allegations, our business, financial condition and results of operations could be materially and adversely affected.**

We believe that maintaining and enhancing our brand is essential for the success of our business. Our operational and financial performance is highly dependent on the strength and market perception of our brand. Our brand is critical in building long-term relationships with our clients, suppliers and end-users. Maintaining and enhancing our brand and brand name depends largely on our ability to provide effective precision marketing and in-depth operation to the game products and maintain market leadership and also have great development in exploring other innovation business, which we cannot assure you we will do successfully. Errors, defects, disruptions or other performance issues with our services or products may harm our reputation and brand, and we may introduce new services or products which might be poorly received by our clients and end-users. Additionally, if our clients and end-users have a negative experience

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using our services or products, such an encounter may affect our brand and reputation within the industry.

We believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful services and products with competitiveness, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We have conducted various online and offline marketing activities, as well as client acquisition activities to build and increase our brand awareness. These activities, however, may not be successful or yield increased revenue. The promotion of our brand also requires us to make substantial expenditures, and we anticipate these expenditures to increase as the markets we address become more competitive and as we expand into new markets. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our selling and distribution expenses amounted to RMB1,916.7 million, RMB3,851.2 million, RMB5,622.4 million, RMB1,919.1 million and RMB1,391.6 million, respectively, representing 66.7%, 67.1%, 63.8%, 67.4% and 56.8% of our total revenue during the same years/periods. We cannot assure you, however, that our marketing spend will lead to increased consumers or increased revenue, and even to the extent that these marketing activities are effective, the additional revenue generated could nevertheless be insufficient to offset the relevant increased expenses. If we fail to maintain and enhance our brand, our pricing power may decline compared to competitors and we may lose existing or prospective clients, which could materially and adversely affect our business, financial condition and results of operations.

In addition, our shareholders, directors, officers, employees, associates and business partners may be subject to negative media coverage and publicity. We may also from time to time receive negative publicity, including negative Internet and blog postings about us, our business, our management or other stakeholders, which could threaten the perception of our brand and therefore the game products we market and operate. Negative publicity may come from malicious harassment or unfair competition acts by third parties. Such negative coverage in the media and publicity could change market perception that we are a trustworthy game product marketing and operation solution provider. We may even be subject to government or regulatory investigation as a result of such negative publicity and may be required to spend significant time and incur substantial costs to defend ourselves. We cannot assure you that we will be able to defuse such negative press coverage to the satisfaction of our investors, collaborating distribution channels, collaborating online media platforms and strategic partners. Harm to our brand and reputation can also arise for many other reasons, including misconduct of our employees or any third parties we conduct business with. See also “— Risks Relating to Our Business and Industry — Failure to deal effectively with fraudulent or illegal activities by our employees would harm our business.” As a result, our brand and reputation may suffer, our operational and financial performance may be negatively impacted, and the price of our Shares may decline.

### **We are subject to risks related to the celebrity spokespersons or marketing campaigns in connection with these persons.**

In developing marketing plans for our clients, we may engage celebrity spokespersons to promote a particular product. We have cooperated with more than 30 celebrity spokespersons in

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promoting the game products we market and operate. However, we are unable to always control the behaviors, comments and content made by such persons. It is possible that certain spokespersons may engage in illegal, immoral, obscene or inflammatory conversations or activities, including posting inappropriate or illegal content that may harm the interests or feelings of the public or the country. In extreme circumstances, the celebrity spokesperson may be banned by the relevant government authorities, and the advertisements, marketing materials or other content related to such persons may be deemed unlawful under applicable laws and regulations, and relevant government authorities may require us to discontinue or restrict operations or services that would have led, or may lead, to such events. For instance, on November 23, 2021, the China Association of Performing Arts (中國演出行業協會) published the ninth warning list for livestreaming performances covering 88 names of Internet personalities who have been reported and registered for their bad behaviors. The people on the list have either violated the law or their actions have allegedly negatively impacted society and public order. On October 26, 2021, the CAC issued the Notice on Efforts Related to Further Strengthening Regulation of Online Information about Entertainment Celebrities (《關於進一步加強娛樂明星網上信息規範相關工作的通知》), pursuant to which, content involving celebrities that endorses “product, services, brands or for-profit events” must be clearly marked as advertisements when appearing on any online platform, and celebrities who are involved in unethical and illegal behaviors will be strictly prevented from reviving their careers. If the celebrity spokespersons we select for our clients’ products and the marketing materials related to such spokespersons are banned by the government authorities due to the spokespersons’ misconducts, our reputation, business, financial condition and results of operations may be materially and adversely affected.

In addition, we are also subject to risks related to disputes with the celebrity spokespersons, including claims, actions and legal proceedings with respect to contract terms, scope of authorization, improper use of the celebrity name and image, infringement, and misleading advertising activities. Such contract disputes could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, and may result in substantial costs, damage to our reputation and diversion of resources and management attention.

**We derived substantially all of our revenue from marketing and operating online game products during the Track Record Period. Any regulatory changes in regulating online games by the PRC government may adversely affect our business.**

We derived substantially all of our revenue from marketing and operating online game during the Track Record Period. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our revenue from the online game publishing business amounted to RMB2,871.5 million, RMB5,673.1 million, RMB8,563.4 million, RMB2,794.6 million and RMB2,332.5 million, respectively.

Any regulatory changes to gaming industry, by the PRC government may adversely affect operations of the online games, which further affects our own business, results of operations and prospects.

The regulatory environments applicable to the gaming industry in the PRC are complex, and many laws and regulations are still evolving and new laws and regulations may be adopted

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or amended from time to time. The promulgation of new laws and regulations could require our clients to adopt certain changes to ensure compliance, and reduce demand for our services, which further adversely affects our profitability, including laws and regulations governing the playing time and end-users’ age of online games such as the Notice on Further Strict Administration to Prevent Minors from Indulging in Online Games (《國家新聞出版署關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》) issued by the National Press and Publication Administration, or NPPA, on August 30, 2021, and came into effect on September 1, 2021 (the “**Notice**”). Such notice stipulates that online game operators may only provide online game services to minors on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m., and further requires that all the online games must be connected to the real-name registration and game addiction prevention system of the NPPA, and online game operators may not provide game services to any users who have not registered using their real names. We have implemented several systems to provide online game services to minors only on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m. For details, please see “Business — Legal Proceedings and Compliance — Impacts of the Recent Regulatory Changes on Our Business — Restriction on Play-time of Online Games by Minors and Real-name Registration Requirements.” However, we cannot assure you that we will be able to anticipate or comply with any new or future requirements on providing online game services to minors. Any failure or perceived failure by us to comply with or to accurately anticipate the application or interpretation of any new policies or regulatory requirements thereof could result in proceedings or actions against us by the relevant government authorities and we derived substantially all of our revenue from marketing and operating online game products during the Track Record Period. Any regulatory changes may negatively affect our business, operations and financial performance.

According to the relevant laws and regulations, if we fail to comply with the relevant requirements, the competent authorities can order us to make rectifications, issue a warning, and confiscate the illegal gains, as well as impose monetary fines between RMB100,000 to RMB1,000,000 if the illegal gains are below RMB1,000,000 or if there are no illegal gains, and monetary fines between one and ten times the illegal gains if the illegal gains are over RMB1,000,000. If we refuse to make rectifications or the circumstances are serious, we may be ordered to suspend our relevant business, cease our business for rectification, close our website, or revoke our business license or relevant permits.

Moreover, we cannot assure you that our clients’ anti-addiction system and real name registration system will be regarded as sufficient by PRC government authorities. Should the relevant government authorities find our clients, especially the game developers and publishers, not satisfying the requirements, they may order our clients to rectify, and their relevant licenses or approvals could be revoked, which may adversely affect their business operations, including their needs and willingness to utilize the game product marketing and operation services provided by us.

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**Regulation of information disseminated over the internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from, or linked to our Internet websites.**

Laws and regulations have been enacted to govern internet access and the distribution of news and other contents, as well as products and services, through the Internet. For example, the MIIT and other competent government authorities have promulgated regulations that prohibit games from being distributed through the internet if the games contain content that is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of China, or compromise state security or secrets. Furthermore, online games will be subject to content review and approval by the NPPA prior to the commencement of games operations in China. Failure in the content review may materially delay or otherwise affect game operator’s plans to launch new games, and the operator may be subject to fines, restriction or suspension of operations of the related game.

We may not be able to control or restrict the content of other internet content providers linked to or accessible through our websites, or content generated or placed on our websites by our users, despite our attempt to monitor such content. Our end-users may also engage in illegal, obscene or incendiary conversations that may result in a negative impact among other end-users. We cannot assure you that all the sensitive information contained in our end-users’ conversations can be identified through our screening mechanism and we may be held liable for inappropriate online communications or content made by our end-users. To the extent that regulatory authorities find any portion of our information or content objectionable, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content on our websites, which may reduce our user traffic and have a material and adverse effect on our financial condition and results of operations. In addition, we may be subject to significant penalties for violations of those regulations arising from information displayed on, retrieved from or linked to our websites, including a suspension or shutdown of our operations.

**Our advertisements and marketing campaigns may subject us to regulatory penalties, administrative sanctions, or penalties from our collaborating online media platforms.**

We provide precision marketing and in-depth operation to the game products developed by our clients by developing and distributing advertisements and marketing campaigns through our collaborating online media platforms. In the process of a marketing campaign, both the clients and the collaborating online media platforms are concerned about being associated with inappropriate or illegal content that may contradict with or harm their respective brands. Under the applicable laws and regulations regarding the content of advertisements and marketing campaigns, we may be obligated to monitor the advertising and marketing content to ensure that such content is true, accurate and in full compliance with applicable laws and regulations. To fulfill our obligations, our in-house legal counsels regularly track and keep themselves abreast of the latest development in PRC laws and regulations in relation to our business operations, especially advertising and marketing solutions, and we have designated our marketing personnel to conduct internal check and inspection of our marketing plans and content before they are placed to the third-party collaborating media platforms.



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However, we cannot assure you that the forms of advertising and marketing campaign placement and all the content contained in the advertisements and marketing campaigns is true, accurate and legitimate as required by the advertising laws and regulations. We cannot guarantee that our information technology systems will be able to detect and filter all unqualified or inappropriate advertisement creatives and marketing products placed by or through us due to the large volume of end-user activities. Our failure to comply with the existing and future laws, regulations and regulatory requirements may subject us to fines, penalties, rectifications and other regulatory measures, as well as claims from our collaborating online media platforms and end-users, including claims with respect to misleading or inappropriate advertising, infringement of intellectual property rights and unfair competition activities, which in turn, may materially and adversely affect our business, reputation, results of operations and prospects.

**We or our Directors or senior management may become a party to legal or administrative proceedings or regulatory inquiries, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operations and prospects.**

We may be involved in claims, disputes, governmental investigations, or other legal or regulatory proceedings from time to time in the ordinary course of our business. These may concern issues relating to, among others, customer complaints, breach of contracts, employment or labor disputes and infringement of IP rights.

As we engage in online game publishing business and other marketing business and routinely enter business contracts with collaborating media platforms, as well as game developers and publishers, we have been and may continue to be involved in legal proceedings arising from contract disputes or IP infringement claims, including being named as a co-defendant in lawsuits filed by IP owners against our clients. For details, please see “— Risks Relating to Our Business and Industry — We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.” There is uncertainty regarding the timing or ultimate resolution of the lawsuits or the other legal proceedings in which we or our clients are involved. There is no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment, ruling or decision against us. While it is not possible to determine the outcome of these lawsuits, we believe that the potential impact of either of these lawsuits on our operation is limited. However, any adverse determination in any of these lawsuits could cause us to remove certain elements from the games we operate and to be liable for compensations.

We cannot assure you that we will not be involved in any such legal or regulatory proceedings in the future. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may be time-consuming, resulting in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation, which could further adversely affect our business, financial condition, results of operations and prospects. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against other parties involved may be expensive, time-

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consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business, and may result in substantial costs, damage to our reputation and diversion of resources and management attention.

Further, we may acquire companies that have been subject to or may become subject to litigation, as well as regulatory proceedings. In addition, in connection with litigation or regulatory proceedings we may be subject to in various jurisdictions, we may be prohibited by laws, regulations or government authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions, including those relating to data held in or with respect to persons in these jurisdictions. Our failure or inability to comply with the subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material and adverse effect on our reputation, business, and results of operations.

### **Failure to deal effectively with fraudulent or illegal activities by our employees would harm our business.**

Illegal, fraudulent, corrupt or collusive activities or misconduct, whether actual or perceived, by our employees, could subject us to liabilities or negative publicity. There can be no assurance that our policies and internal controls related to the review and approval of payment accounts, sales and marketing activities, interactions with business partners and government officials and other relevant matters will prevent fraud or illegal activities or misconduct by our employees or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity, misconduct, or perceptions of conflicts of interest and rumors, could severely damage our brand and reputation, even if they are baseless or satisfactorily addressed, which could drive our clients away from us, and materially and adversely affect our business, financial condition and results of operations.

### **Non-compliance with legal requirements or proprietary rights by any third parties with which we conduct business could disrupt our business and adversely affect our financial condition and results of operations.**

Third parties, including our clients, with which we conduct business, such as game developers, online literature publishers, collaborating online media platforms and other business partners, may be subject to regulatory penalties or punishments because of their failure to comply with relevant regulatory or may be infringing upon other parties' proprietary rights, which may, directly or indirectly, disrupt our business. We conduct review of legal formalities and certifications before entering into contractual relationships with third parties, and take measures to reduce the risks that we may be exposed to in case of any non-compliance by third parties. However, we cannot be certain whether such third party has violated any regulatory requirements or infringed or will not violate or infringe any other parties' proprietary rights. For example, the authorization or licensing that we obtain from our clients may be defective, or collaborating online media platforms may conduct marketing activities using content that they

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have no right to distribute, and we may not be able to identify all instances of copyright infringement, and we may be held liable and pay damages for such infringement. For details, please see “— Risks Relating to Our Business and Industry — We may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations.” As a result, our business, financial condition and results of operations could be materially and adversely affected. Similarly, marketing campaigns distributed by certain collaborating media platforms may also not be in full compliance with applicable laws and regulations that may have an adverse effect as to our business, financial condition and results of operations.

We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliance in the business practices of third parties we conduct business with, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Any legal liabilities and regulatory actions affecting third parties involved in our business may materially and adversely affect our business, results of operations and financial condition, as well as tarnish our reputation.

### **Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations.**

As of the Latest Practicable Date, the lessors of some of our leased properties in China with an aggregate gross floor area of approximately 31,949 square meters had not provided us with valid title certificates or relevant authorization documents evidencing the right to lease the property to us. As a result, the lease may not be valid, and we may not be able to continue to use such property if the lessor’s right to lease such property is challenged by any third party. Furthermore, we cannot assure you that we are able to renew our lease on commercially acceptable terms upon expiry, or at all. If the title of any of our leased properties is controversial or the validity of the relevant lease is challenged by any third party, or if we fail to renew our lease upon expiry, we may be compelled to relocate from the affected premises. Such relocation may result in additional expenses or business interruption, which could, in turn, have an adverse effect on our business, financial condition and results of operations.

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices. As of the Latest Practicable Date, we had not completed lease registration for 21 leased properties in China. Although failure to register does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease. The maximum penalty that we may be liable in relation to the failure of registering lease agreements during the Track Record Period was approximately RMB210,000. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. For more details of our lease registration, see “Business — Properties” in this document.

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**Failure to comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners such as suppliers, could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.**

We are subject to risks in relation to actions taken by us, our employees, affiliates or business partners that constitute violations of the anti-corruption laws and regulations. There have been several instances of corrupt practices in our industry, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by third party online medial platforms from game product developers in connection with the distribution of the marketing campaigns. While we adopt strict internal procedures to ensure compliance of our online game publishing business and other marketing business with relevant laws and regulations, our efforts may not be sufficient to ensure that we comply with relevant laws and regulations at all times. If we, our employees, affiliates, suppliers, or other business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates or suppliers, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

**Certain of our subsidiaries have not made adequate contributions to the social insurance and housing provident fund, which could subject us to penalties.**

In accordance with the relevant laws and regulations on social security, employers in the PRC are required to make contributions to various social insurance (including medical, pension, unemployment, work-related injury and maternity insurance) and housing provident fund for their employees. During the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for our employees. In 2020, 2021, 2022 and the four months ended April 30, 2023, the total outstanding amount of our social insurance and housing provident fund contributions was a reversal of RMB4.1 million, RMB20.8 million, RMB32.2 million and RMB3.2 million, respectively. We recorded a reversal of RMB4.1 million for outstanding amount of our social insurance and housing provident fund contributions in 2020 due to the deduction or exemption of payment of social insurance and housing provident fund contributions in 2020 as a result of relevant government relief policies in response to the COVID-19 pandemic. Our PRC Legal Adviser have advised us that, pursuant to relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions are due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay housing provident fund in full, the relevant housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. If these enforcement actions were taken by relevant authorities, our financial position and results of operation could be materially and adversely affected. As of the Latest Practicable Date, we had not received any notice from the

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local authorities or any claim or request from the relevant employees. In 2020, 2021, 2022 and the four months ended April 30, 2023, we made provisions of a reversal of RMB4.1 million, RMB20.8 million, RMB32.2 million and RMB3.2 million for the social insurance and housing provident fund contribution shortfall, respectively. During the Track Record Period, we made sufficient provisions for the social insurance and housing provident fund contributions. However, we cannot assure you that in the future the relevant government authorities will not require us to rectify such non-compliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance contributions and housing provident fund under the relevant laws and regulations implemented at the national, provincial or local level, which may materially and adversely affect our business, financial condition and results of operations.

In addition, during the Track Record Period, we engaged third-party service providers to pay social insurance and housing provident funds for a small portion of our employees. If such arrangement is challenged by government authorities, we may be deemed to fail to discharge our obligations in relation to the payment of social insurance and housing provident funds through our own accounts as an employer. However, given that there is no PRC law and regulations explicitly stipulate whether such arrangement would be penalized or fined or not, we may face the risk of being penalized or fined in this regard. If we are deemed to fail to discharge our obligations in relation to the payment of social insurance and housing provident funds through our own accounts as an employer, and fail to comply with the requirement within a specified timeframe, we may be liable for a maximum potential fine not exceeding three times of overdue amount of the social insurance contribution.

**Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.**

The PRC anti-monopoly enforcement agencies have, in recent years, strengthened enforcement under the PRC Anti-monopoly Law (《中華人民共和國反壟斷法》). In March 2018, the State Administration for Market Regulation (“SAMR”) was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce of the PRC (“MOFCOM”), the National Development and Reform Commission of the PRC (“NDRC”) and the State Administration for Industry and Commerce of the PRC (“SAIC”, the predecessor of the SAMR), respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. On December 28, 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization (《關於反壟斷授權執法的通知》), which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the Anti-monopoly Commission of the State Council issued Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which encourages, under the PRC Anti-monopoly Law, qualified operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. On February 7 2021, the Anti-monopoly Commission of the State Council issued the Anti-monopoly Guide of the Anti-monopoly Commission of the State Council for the Platform Economy Sector (《關於平台經濟領域的反

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壟斷指南》) (the “**Anti-monopoly Guide**”), which regulates the abuse of a dominant position and other anti-competitive practices of online platforms.

Pursuant to Section 19 of the PRC Anti-monopoly Law, a market participant that has more than 50% of the market share in a relevant market is presumed to have a dominant position in that market. We believe that the impact of the Anti-Monopoly Guide on our business is insignificant. We do not own a dominant position in the markets we operate. According to Frost & Sullivan, our market share in the mobile game market is well below the 50% threshold under Section 19 of the PRC Anti-monopoly Law. In addition, the markets that we operate in are emerging and rapidly developing with a large number of participants focusing on different aspects of the markets and constantly attracting new participants, which mitigates the risk of violating the Anti-monopoly Guide for the industry participants. However, we may in the future receive greater scrutiny and attention from regulators and more frequent and stringent investigation or review by regulators, which will increase our compliance costs, and it could be time-consuming to comply with the relevant regulations described above.

The PRC Anti-monopoly Law also provides a private right of action for competitors, business partners or clients to bring anti-monopoly claims against companies. As the PRC Anti-monopoly Law is relatively new, misinterpretation by market participants has led to and may continue to lead to public allegations or media campaigns against us or complaints to regulators or private litigation that targets our prior and current business practices. Any anti-monopoly lawsuit, regulatory investigations or administrative proceedings initiated against us could also result in us being subject to adverse court decisions and regulatory actions, such as confiscation of illegal revenue and heavy fines. Any such adverse court decisions or regulatory actions may force us to change our business model or practices, which could materially and adversely affect our business, operations, reputation and brand.

**We collaborate with third-party online payment channels for payment collection. Any interruption of their services or unintended leakage of confidential information may materially and adversely affect our reputation and business.**

We collaborate with major third-party payment channels to facilitate and collect end-users’ payment for in-game virtual items. We are subject to various risks and uncertainties associated with these third-party online payment channels. Any interruption in their payment services could adversely affect our payment collection, and in turn, our revenue.

In all online payment transactions through third-party payment channels, secured transmission of end-users’ confidential information, including credit card and bank account numbers, personal information and billing addresses, over public networks, is essential for maintaining user confidence. We do not have control over the security measures of the third-party payment channels, and their security measures may not be adequate at present or may not be adequate with the expected increased usage of online payment systems. We could be exposed to litigation and potential liabilities if we fail to safeguard end-user’ confidential information, which could harm our reputation and our ability to attract or retain end-users and may have a material and adverse effect on our business.

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Furthermore, our payment channels are subject to various laws and regulations regulating electronic funds transfers and virtual currencies, which could change or be reinterpreted in a way that will adversely affect their compliance. If our payment channels experience any non-compliance incidents, they may be subject to fines and higher transaction fees and even lose their ability to accept online payments from our end-users, which in turn would materially and adversely affect our ability to monetize the end-user base.

**We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.**

Our future success is significantly dependent upon the continued service of our key executives and other key employees, in particular, we rely on the expertise and experience of core members of our senior management team, particularly Mr. WU Xubo, our co-founder, chairman and chief executive officer, who have formulated our strategies and are instrumental to our success. If we lose the services of any member of management or key personnel for any reason, we may not be able to locate, or may incur great costs to recruit and train suitable or qualified replacements in a timely manner, or at all, which could result in disruption of our business and inefficiency in execution of development strategies.

In addition, we have a number of employees, including many members of management, whose economic interests in our Company could give them a substantial amount of personal wealth following our [REDACTED]. This wealth could affect their decisions about whether or not they continue to remain with us. As a result, we cannot assure you that we will be able to continue to retain and motivate these employees and our business may be severely disrupted and our prospects could suffer.

Furthermore, given that we currently have sizable business scope in providing precision marketing and in-depth operation to the mobile game products and we are also expanding our business and operations to other industries, we are required to attract, hire and retain a wide range of capable and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. However, our various incentive initiatives may not be sufficient to retain our management and employees. Competition for talents in our industry in China and elsewhere is intense, which could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals will choose to join or continue to work for us. If we fail to attract or retain key management and personnel with suitable expertise, or to maintain an adequate labor force on a continuous and sustained basis, our financial position and results of operations could be materially and adversely affected.

**We may not have sufficient insurance coverage to cover our business risks.**

We maintain limited insurance policies required under PRC laws and regulations, as well as based on our assessment of our operational needs and risks and in line with the standard commercial practice in our industry. See “Business — Insurance” for more details on our

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insurance policies. However, we may not be able to acquire insurance for all types of risks we face in our operations in the PRC, and our coverage may not be adequate to compensate for all losses or claims that may occur anytime. To the best of our Directors’ knowledge, no insurance products that have been specifically designed for protecting the risks related to the Contractual Arrangements have been made available on the market. In line with general industry practice in China, we do not maintain business interruption insurance, key man life insurance, any insurance for our information technology infrastructure and systems or any insurance for our leased properties. Any business disruption, litigation, regulatory action, outbreak of epidemic disease, adverse weather conditions or natural disasters could expose us to substantial costs and diversion of resources, and we have no insurance to cover such losses or we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

**Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.**

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For further information, see “Business — Risk Management and Internal Control.” However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on their effective implementation by our employees. Due to the significant size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer a broader and more diverse range of services, solutions and products in the future, the diversification of our service and product offerings will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

**We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available on acceptable terms, or at all, which could compromise our ability to meet our financial obligations and grow our business.**

Although we believe that our anticipated cash flows from operating activities, together with cash on hand and [REDACTED] from the [REDACTED], will be sufficient to meet our



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anticipated working capital requirements and capital expenditures in the ordinary course of business for the next twelve months, we cannot assure you this will be the case. We may require additional cash resources due to future growth and development of our online game publishing business and other marketing business and consumer product business, including any investments or acquisitions we may decide to pursue. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including the general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary approvals from regulatory authorities, investors’ confidence in us, the prospects of the gaming industry, and our operating and financial performance. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financial covenants that would restrict our operations. Our ability to access international capital and lending markets may be restricted at a time when we would like, or need, to do so, especially during times of increased volatility and reduced liquidity in global financial markets and stock markets, including due to policy changes and regulatory restrictions, which could limit our ability to raise funds.

There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material and adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

**A severe or prolonged downturn in the global or regional economy could materially and adversely affect our business and financial condition.**

COVID-19 has had a severe and negative impact on the global and regional economy since 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world’s leading economies even before 2020. The war in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. The relationship among countries and regions with respect to trade policies, treaties, government regulations and tariffs, among other matters, may affect the global macroeconomic environment, and potentially leave an impact on the market we operate in. Any severe or prolonged slowdown in the global or regional economy may materially and adversely affect our business, results of operations and financial condition.

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**We rely in significant part upon effective interoperability with mobile operating systems, networks and mobile devices whose standards we do not control.**

We market and operate game products, available across a variety of mobile operating systems and devices. We are dependent on the interoperability of the games we operate with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. Any changes in these mobile operating systems or devices that reduce the functionality of the games we market and operate or give preferential treatment to competing games may negatively affect the gameplay experience of our end-users or divert our end-users to our competitors. In addition, it is important that the games we market and operate work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. If it becomes difficult for our end-users to access and play the games we market and operate, our end-user growth and end-user engagement could be harmed. Furthermore, if the number of platforms for which we develop or adjust the games we market and operate increases, which is typically seen in the dynamic and fragmented mobile internet market in China, it will result in an increase in our costs and expenses. Any of the above factors could adversely affect our business and results of operations.

**Any significant disruption to the third-party cloud platforms and services that we rely on would materially and adversely affect our business, reputation, financial condition and results of operations.**

We rely on certain third-party cloud platforms and services to conduct our business and any interruptions or delays in such platforms and services may impair our normal operations. Any network failure, delay, hacking, malfunction and abnormal operation of such cloud platform would result in user complaints, data corruption, leakage, errors and other incidents that could materially and adversely affect our operations. As we continue to rely on third-party cloud platforms and services in the ordinary course of our business, there is no assurance that we will not face such disruptions in future. In addition, we cannot assure you that our cloud service providers will have adequate measures to protect themselves from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. If any natural disasters, health epidemics or other public safety concerns were to affect our cloud service providers in particular, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

**We may be subject to risks in relation to the use of open source software or coding.**

We may use open source software or coding in connection with our business. We use a limited amount of software or coding licensed by its authors or other third parties under so-called “open source” licenses. The material open source software or coding we currently use primarily include MySQL from Android studio, Git, PHP and Nginx. Companies that incorporate open source software or coding into their solutions and services have, from time to time, faced claims challenging the ownership of open source software or coding and compliance with license terms of open source or coding. As a result, we could be subject to suits by parties claiming

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ownership of what we believe to be open source software or coding or noncompliance with open source licensing terms. As the open source software or coding we used are free to the public, and we have not incorporated any open source software or coding into our intellectual properties, solutions or services, our PRC Legal Adviser is of the opinion that the use of open software or coding is not prohibited. Moreover, the Company shall comply with the related requirements or instruction under the open source license and user manual, among others, of such open source software or coding website. As confirmed by the Company, the Company has observed all such requirements and instructions, and there is no dispute arising from the use of open source software or coding. However, due to a lack of court interpretation, there is a potential risk that such licenses may be construed in a manner that imposes unanticipated conditions or restrictions on our ability to continue using such software or code.

Open source software generally does not provide indemnity or warranties. Some open source software or coding licenses may require users who distribute open source software or coding as part of their software or coding to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Under such circumstances, our ability to protect our intellectual property rights in relation to the use of such software may be impaired. We are also unable to prevent our competitors or others from using our contributed source code of our software. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, financial condition and results of operations.

### **Our business operations depend in part on the performance and reliability of the Internet infrastructure and telecommunications networks.**

Our business depends in part on the performance, reliability and security of the telecommunications and Internet infrastructure in the regions where we operate our business. Substantially all of our servers, computer hardware and technology infrastructure equipment are currently located in China.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites and mobile applications. We have no control over the costs of the services provided by the telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, the end-user base of our clients' products may decrease, which in turn may significantly decrease our revenues.

Moreover, our services depend on the efficient and uninterrupted operation of our computer and communications systems, because the full-time availability of our services is necessary to our ability to attract our clients. We may also experience in the future system interruptions and delays that render websites, mobile applications and service temporarily unavailable or slow to respond. The contingency measures and disaster recovery plans we take may not be sufficient to address the relevant risks, and our business interruption insurance may not provide adequate coverage to mitigate all our potential losses and damages. Despite any precautions we may take,

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the occurrence of a natural disaster or other unanticipated problems at our facilities and our platform participants, including power outages, system failures, telecommunications delays or failures, construction accidents, break-ins to information technology systems, computer viruses or human errors, could result in delays in or temporary outages of the products we market and operate, loss of our users’ data and business interruption for us and our clients. Any of these events could damage our reputation, significantly disrupt our operations and the operations of our business partners on and subject us to liability, heightened regulatory scrutiny and increased costs, which could materially and adversely affect our business, financial condition and results of operations.

In particular, if the security of domain names is compromised, we will be unable to use the domain names in our business operations, which could materially and adversely affect our business operations, reputation and brand image. If we fail to implement adequate encryption of data transmitted through the networks of the telecommunications and Internet operators we rely upon, there is a risk that telecommunications and Internet operators or their business partners may misappropriate our data, which could materially and adversely affect our business operations and reputation.

**If our preferential tax treatments become unavailable or if the calculation of our tax liability is challenged by the PRC tax authorities, our results of operations may be adversely affected.**

During the Track Record Period, we benefited from various preferential tax treatments in China. Our results of operations depend in part on our ability to continue to enjoy the preferential tax treatments. The EIT Law and its implementation regulations impose enterprise income tax at the statutory rate of 25% on Chinese enterprises. Jiangxi Tanwan was accredited as a high and new technology enterprise (“HNTTE”) in 2018 and 2021, respectively, and which entitled Jiangxi Tanwan to apply for a reduced tax rate of 15% from the local tax authority for a duration of three years, subject to its fulfillment of the relevant eligibility criteria each year. Jiangxi Tanwan did not qualify for the HNTTE preferential tax rate in 2022 because it did not meet all requisite eligibility criteria, as a result of which it applied the statutory rate of 25%. In addition, ZX WFOE was accredited as a “software enterprise” in 2021, which is exempt from Corporate Income Tax (“CIT”) for 2021 and 2022, followed by a 50% reduction in the applicable tax rates from 2023 to 2025. Our effective income tax rate, which is calculated by dividing income tax expenses by profit before taxation for the same year/period, was approximately a negative of 6.3%, a positive of 9.4%, a positive of 18.3%, a positive of 10.4% and a positive of 32.1%, in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. For further information, see “Financial Information — Description of Major Components of our Results of Operations — Income Tax Expense.” However, there is no assurance that we will continue to enjoy preferential EIT rates or be entitled to preferential tax treatment in the future. The discontinuation of any preferential tax treatments currently available to us would cause our effective tax rate to increase, which could have an adverse effect on our results of operations.

In addition, the PRC government makes amendments to its policies on VAT, EIT and other taxes from time to time, which would result in changes in grant of preferential tax treatments.

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Unless we are able to renew our existing accreditations upon their expiration or are granted additional preferential tax treatments in the future, we expect our effective tax rates to gradually increase in the foreseeable future, which could have a material and adverse effect on our business, financial condition and results of operations.

### RISKS RELATING TO OUR FINANCIAL PERFORMANCE

**We incurred a net loss in the past and we may not be able to achieve or maintain profitability in the future.**

We incurred a net loss of RMB1,301.1 million for the year ended December 31, 2020, primarily due to a one-off share-based compensation issued in 2020. Although we recorded a net profit of RMB616.4 million, RMB491.5 million, RMB124.6 million and RMB242.1 million for the years ended December 31, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively, we cannot assure you that we will be able to continue to generate profits in the future. Our costs and expenses will likely increase in the future as we expect to expand our operations and our sales and marketing, enhance our technology capabilities, develop and launch new solutions and services, and expand client base in existing market and penetrate into new markets. Any of these efforts may incur significant capital investment and operating expenses, and take time to achieve profitability. In addition, these efforts may be more costly than we expect and may not result in increased revenue or growth in our business as expected.

In addition, our ability to achieve profitability also depends on our ability to improve our market position and profile, enhance and expand our solution and service offerings, maintain competitive pricing, improve our operational efficiency and obtain required financing at reasonable terms, which may be affected by numerous factors beyond our control. If we are unable to generate adequate revenue growth and manage our costs and expenses, we may not be able to achieve profitability or positive operating cash flow on a consistent basis, which may impact our business growth and adversely affect our financial condition and results of operations.

**Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our trade receivables.**

As of December 31, 2020, 2021 and 2022 and April 30, 2023, our trade receivables were RMB230.6 million, RMB273.9 million, RMB430.2 million and RMB308.3 million, respectively. We recognized net impairment losses on trade receivables of RMB0.6 million in 2022, and a reversal of impairment losses on trade receivables of RMB5.4 million, RMB5.7 million and RMB0.1 million in 2020, 2021 and the four months ended April 30, 2023, respectively, due to the changes in allowance for impairment we recorded based on the expected credit loss over our trade receivables. See “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Trade Receivables” for more details on our trade receivables. Our trade receivables primarily consist of outstanding amounts payable by collaborating distribution channels under our joint-run model in the ordinary course of our business. Our trading terms with our collaborating distribution channels we

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collaborated with are mainly on credit. The credit period is generally 30 days to 90 days. We cannot guarantee that our collaborating distribution channels will settle our trade receivables within the credit period. As our business continues to scale, our trade receivables balance may continue to grow, which may increase our risks for uncollectible receivables. We generally do not require collateral or other security from our collaborating distribution channels. Actual losses on trade receivables balance could differ from those that we anticipate and provide as impairment, as a result we might need to adjust our provision of impairment.

Moreover, credit risk for trade receivables arises when our collaborating distribution channels default on their contractual obligations resulting in financial losses to us. To minimize the credit risk, our management has delegated a team responsible for determination of credit limits and credit approvals. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each of our collaborating distribution channels before entering into agreements or extending credit terms, neither can we guarantee that each of these collaborating distribution channels will be able to strictly follow and enforce the payment schedules provided in the agreements. Any inability of our collaborating distribution channels to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn has a material and adverse effect on our business operations and financial condition.

### **We incurred net current liabilities in the past, which may continue to experience in the future.**

We recorded net current liabilities of RMB773.7 million, RMB1,397.9 million, RMB2,272.5 million and RMB1,723.8 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. For details, see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities.” Our net current liability position was primarily a significant portion of our pledged deposits used to secure our bills payables and interest-bearing bank borrowings were interest-bearing time deposits with a term exceeding one year and therefore recorded as non-current assets. For details on our net current liability position, including our cash management policy with respect to pledged deposits, see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities.”

A net current liability position can expose us to the risk of shortfalls in liquidity. This in turn may require us to undertake additional equity financing, which could result in dilution of your equity interests, or to seek debt financing, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material and adverse effect on our prospects. Going forward, we cannot guarantee that we will not continue to have a net current liabilities position, which would expose us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

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**We recorded net operating cash outflow in 2020. If we record net operating cash outflow in the future, our liquidity, financial condition and prospects may be adversely affected.**

For the year ended December 31, 2020, we had net cash outflow from operating activities of RMB301.5 million. See “Financial Information — Liquidity and Capital Resources” for details. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion depend to a large extent on our ability to maintain sufficient cash generated from operating activities, in addition to our ability to obtain external financing. If we do not generate sufficient positive operating cash flow, our working capital may be constrained, which may adversely affect our financial condition, and our business, financial condition and results of operations. See also “— Risks Relating to Our Financial Performance — We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available on acceptable terms, or at all, which could compromise our ability to meet our financial obligations and grow our business.”

**Our financial assets at fair value through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of these assets and liabilities would affect our financial results.**

We recorded financial assets at FVTPL of RMB550.4 million, RMB1,090.0 million, RMB1,271.3 million and RMB1,277.9 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. These financial assets at FVTPL included wealth management products, listed equity investments and fund investments. Our investments in listed equity amounted to RMB597.6 million as of April 30, 2023, mainly including our investments in various companies listed on the Hong Kong Stock Exchange. See “Financial Information — Description of Major Components of Our Results of Operation — Other income and gains.” The fair value changes in our financial assets at FVTPL or loss may negatively affect our financial performance. We recorded gain on disposal of financial assets at FVTPL of RMB59.2 million, RMB29.8 million and RMB327.0 million in 2020, 2022 and the four months ended April 30, 2023, respectively, and loss on disposal of financial assets at FVTPL of RMB2.6 million in 2021 and RMB8.9 million for the four months ended April 30, 2022. In addition, we recorded fair value gain on financial assets at FVTPL of RMB6.3 million, RMB1.0 million, RMB12.5 million and RMB27.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022, respectively, and fair value loss on financial assets at FVTPL of RMB99.2 million for the four months ended April 30, 2023. See page I-52 of Appendix I to this document for more details. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Any change in the estimates and assumptions may lead to a change in the fair value of the financial assets, which in turn could material and adversely affect, our period-to-period earnings, financial condition and results of operations.

**Impairment of our intangible assets and goodwill could negatively affect our financial condition and results of operations.**

We recorded intangible assets of RMB6.9 million, RMB33.8 million, RMB43.7 million and RMB38.4 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Our

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intangible assets consist mainly of (i) copyrights, (ii) computer software, (iii) domain names and (iv) game operation agreements. We expect our intangible assets to increase in the future. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Although we did not record impairment losses on intangible assets during the Track Record Period, we cannot guarantee that we will not record greater impairment losses of intangible assets in the future. Material impairment of intangible assets could negatively affect our financial condition and results of operations.

We did not record goodwill in 2020 and recorded a goodwill of RMB42.5 million as of December 31, 2021 and 2022 and April 30, 2023, which arose from the acquisition of Guangzhou Chichi and Hainan Zhangwan. We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Although we did not record impairment losses on goodwill during the Track Record Period, it cannot guarantee that it will not record greater impairment losses of goodwill in the future. Material impairment of goodwill could negatively affect our financial condition and results of operations.

**We have granted, and may continue to grant share options or other types of share awards under our share award scheme, which may result in increased share-based payments. Share-based payments may cause shareholding dilution to our existing Shareholders and have an adverse effect on our financial performance.**

We operate a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. In 2020, 2022 and the four months ended April 30, 2023, we recorded RMB1,816.1 million, RMB42.9 million and RMB70.6 million in equity-settled share-based payment expenses, respectively. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based awards to employees in the future. Issuance of additional share award with respect to such share-based payments may dilute the shareholding percentage of our existing shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have an adverse effect on our financial performance.

**We may be subject to impairment losses on prepayments, other receivables and other assets.**

Our prepayments, other receivables and other assets primarily consist of (i) deposits and other receivables, mainly including lease deposits and receivables, (ii) prepayments, mainly including prepayments for marketing and promotion services and prepayments to game developers, (iii) time deposits, and (iv) others, such as deductible input VAT and loans to third



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parties and employees. We recorded total prepayments, other receivables and other assets of RMB632.9 million, RMB493.3 million, RMB786.5 million and RMB831.4 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. See page I-79 of Appendix I to this document for more details.

We are subject to credit risks in relation to prepayments, other receivables and other assets as there is no guarantee that the relevant counterparties, such as collaborating media platforms and game developers, will perform their obligations or do so in a timely manner. We conduct a periodic impairment analysis on the recoverability of prepayments, other receivables and other assets. When determining the expected credit losses, we take into account, our historical settlement records, our relationship with relevant counterparties, payment terms, and forward-looking macroeconomic data, among other factors, which involve the use of various judgments, assumptions and estimates by our management. Our allowance for impairment of prepayments, other receivables and other assets was RMB12.4 million, RMB17.2 million, RMB18.8 million and RMB20.7 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The amount of impairment losses for prepayments, other receivables and other assets recognized as profit or loss was nil, RMB4.8 million, RMB1.6 million and RMB1.9 million for the respective periods, respectively. See page I-79 of Appendix I to this document for more details.

As our management’s estimates and related assumptions are made in accordance with information available to us at the time the allowance is determined, there is no assurance that our expectations or estimates will remain accurate for the future. In the event that we may need to make additional allowance for impairment of prepayments, other receivables and other assets in the future, our business, financial condition and results of operations may be adversely affected.

### **Any discontinuation, reduction or delay of any VAT deduction and refunds would have an adverse impact on our results of operations.**

We recognized other income from VAT additional deduction and refunds during the Track Record Period, which were non-recurring in nature and subject to the evolving tax policies in China. Our other income from VAT additional deduction and refunds amounted to RMB23.0 million, RMB22.7 million, RMB52.3 million, RMB18.6 million and RMB9.5 million for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. There can be no assurance that we will remain eligible for such VAT deduction and refunds. If we are unable to receive, or experience a significant decrease in, VAT deduction and refunds in the future, our results of operations may be adversely affected.

### **Our results of operations may be affected by the share of profits and losses of joint ventures and associates and we may be subject to related liquidity risk if no dividend is declared to us.**

During the Track Record Period, we made investments in a number of entities, mainly including Zhejiang Xuwan, Guangzhou Zeda, Fuzhou Zizai and Hangzhou Shengxu. We recorded a loss of RMB2.4 million in 2020, a gain of RMB4.2 million in 2021, a gain of RMB7.4 million in 2022, a gain of RMB0.9 million for the four months ended April 30, 2022

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and a loss of RMB0.5 million for the four months ended April 30, 2023, as our share of profits and losses of joint ventures. We also recorded a loss of RMB4.2 million in 2020, a loss of RMB15.9 million in 2021, a loss of RMB33.9 million in 2022, a loss of RMB6.8 million for the four months ended April 30, 2022 and a loss of RMB11.5 million for the four months ended April 30, 2023, as our share of profits and losses of associates. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had investment in joint ventures of RMB268.0 million, RMB259.8 million, RMB267.2 million and RMB266.7 million, respectively. As of the same dates, we also had investment in associates of RMB5.8 million, RMB4.9 million, RMB6.0 million and RMB4.3 million, respectively. Our results of operations could be affected by the fluctuation in the share of profits and losses of our joint ventures and associates. In addition, our investment in joint ventures and associate are subject to liquidity risk. Our investments in joint ventures and associate are not as liquid as other investment products as there is no return in our investment until dividends are received even if our joint ventures and associate reported profits under the equity accounting.

Furthermore, our ability to promptly sell one or more of our interests in the joint ventures and associate in response to the changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our interests in the joint ventures or associate for the price or on the terms set by us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquid nature of our investment in joint ventures and associate may significantly limit our ability to respond to adverse changes in the performance of our joint ventures and associate. In addition, if there is no or negative share of profit or no dividends from our joint ventures or associate, our financial condition or result of operations could be materially affected. Moreover, as we expect to continue to invest in our existing and future joint ventures and associates for the expansion of our business, our liquidity may be further restricted if we are not able to receive dividends from our existing or future joint ventures and associates, which could materially and adversely affect our ability to conduct or expand our business.

### **Our deferred tax assets may not be fully recoverable, which may adversely affect our financial condition in the future.**

We are required to make judgments, estimates and assumptions about the carrying amounts of our deferred tax assets. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had deferred tax assets of RMB5.9 million, RMB40.9 million, RMB47.9 million and RMB48.4 million, respectively, which were primarily attributable to lease liabilities, contract liabilities and tax losses. See note 27 in Appendix I to this document for details of the movements of our deferred tax assets during the Track Record Period. Deferred tax assets are recognized only if it is probable that future taxable profits will be available to utilize those temporary differences and tax losses. The realization of deferred tax assets depends primarily on our estimate of whether sufficient future taxable profits will be available. This requires judgment on the tax treatments of certain transactions and assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. These judgment and assessment are mainly based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. If sufficient future taxable profits are not expected to be generated or if taxable profits are lower than expected, we may fail to recover our deferred tax assets, which may materially and adversely affect our financial condition.

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### **Failure to fulfill our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.**

Our contract liabilities are recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had contract liabilities of nil, nil, RMB117.7 million and RMB162.1 million, respectively. Our contract liabilities as of April 30, 2023 was associated with the advance payments we received from the players of our self-owned game product.

Contract liabilities are not recognized as revenue until we fulfill our obligations under the respective contract (i.e., transfers control of the related goods or services to the customer). Our ability to fulfill our contractual obligations is subject to various factors, including our operation capabilities and normal operations of our business. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payments made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

### **RISKS RELATING TO GOVERNMENT REGULATIONS**

#### **Laws and regulations governing the internet industry and related businesses in China are evolving.**

The internet industry is subject to certain regulations in China, including with respect to the foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving. With regard to the mobile game industry in China, various regulatory authorities of the PRC central government, such as the State Council, the MIIT, the SAIC, the NPPA and the Ministry of Public Security of the PRC (“MPS”), are authorized to promulgate and implement regulations governing various aspects of the mobile game industry.

New laws, regulations or policies may be promulgated or announced that will regulate internet activities, including provision of precision marketing and in-depth operation in the digital era. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties and our business operations could be disrupted.

If we fail to maintain or obtain the required permits or licenses, we may be subject to various penalties, including fines and discontinuation of, or restriction on, our operations. Any penalty may disrupt our business operations and may have a material and adverse effect on our results of operations. We cannot assure you that we will be able to maintain our existing licenses or obtain any new licenses required under any existing or new laws or regulations. There are also risks that we may be found to be in violation of future laws and regulations. If future laws,

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rules or regulations regarding internet-related activities are interpreted in such a way as to render our ownership structure and/or business operations illegal or non-compliant, our business could be severely impaired and we could be subject to severe penalties.

**Amendments in the political and economic policies, as well as the evolving laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.**

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic, political, and legal developments in the PRC. The overall economic growth may be influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects.

Laws, rules and regulations in relation to economic matters may be amended at times, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law.

**The M&A Rules and certain other PRC regulations establish certain procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, established additional procedures and requirements for foreign investors with respect to merger and acquisition activities. Moreover, the PRC Anti-monopoly Law requires that the anti-trust government authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. Furthermore, the Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM, effective in September 2011, specifies that a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns. The foregoing regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the online game publishing business and other marketing business requires security review. On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the

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Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) has been established under the NDRC, who leads the task together with the MOFCOM. Foreign investors or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and Internet products and services and other important fields relating to national security, and obtain control in the target enterprise.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts or other relevant government agencies may delay or inhibit our ability to complete such transactions.

**We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders, and have a material and adverse effect on our results of operations and the value of your investment.**

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a de facto management body” within the PRC is considered a PRC resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25% and a withholding tax rate of 10% to dividends paid by it to a foreign enterprise, unless the jurisdiction of the foreign investor’s tax residence has a tax treaty with the PRC that provides for preferential tax treatment. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, production, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued the Circular on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“**Circular 82**”), which was last amended on December 29, 2017 and provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in the PRC. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

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We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. We believe none of our entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities. If the PRC tax authorities determine that we or any of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, then we or this subsidiary could be subject to PRC tax at a rate of 25% on our or its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Additionally, pursuant to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement and relevant PRC tax laws on the interpretation of the Arrangement, a preferential withholding tax rate of 5% may apply if the PRC enterprise is at least 25% held by the Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and certain other conditions, such as the beneficial ownership requirement, are met. Furthermore, under the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》), which became effective in January 2020, the applicant for the preferential withholding rate is required to maintain a record with its in-charge tax authority and submit, gather and retain all the requisite application materials. No government approval for the application is required, although the relevant tax authorities may subsequently challenge the applicability of the preferential withholding rate. There can be no assurance that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority or that we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate under the Double Taxation Arrangement with respect to dividends to be paid by our PRC subsidiaries to Hong Kong shareholders.

**PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or restrict us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity, and our ability to fund and expand our business.**

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to our PRC subsidiaries are subject to the requirement of making

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necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and making registrations with other governmental authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the State Administration of Foreign Exchange, or the SAFE, or its local branches; and (ii) each of our PRC subsidiaries may not procure loans which exceed statutory limits, namely, the difference between its total amount of investment and its registered capital, or certain amount calculated based on elements including capital or net assets and the cross-border financing leverage ratio or the macro-prudential management mode, under relevant PRC laws. Any medium or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all. If we fail to complete such recording or registrations, our ability to use the [REDACTED] of this [REDACTED] and to capitalize our PRC subsidiaries may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》), or SAFE Circular No. 19, which took effect as of June 1, 2015 and was amended in December 2019 and March 23, 2023. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of foreign exchange capital of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular No. 19 and SAFE Circular No. 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi funds converted from their foreign exchange capital for expenditure beyond their business scope, making investment (except for securities investment or non-guaranteed bank products), issuing loans to non-affiliated enterprises, or constructing or purchasing real estate not for self-use. In addition, the SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) on October 23, 2019, or SAFE Circular 28, pursuant to which non-investment foreign invested enterprises can use their capital funds to make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with PRC laws and regulations. On April 10, 2020, the SAFE issued the Circular on Optimizing the Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, pursuant to which eligible enterprises are allowed to make domestic payments by using the income under their capital accounts, such as their capital funds, foreign loans and overseas listing, without prior provision of materials evidencing the authenticity for each expenditure, provided that the capital usage is authentic and in compliance with the current administrative provisions on use of income under the capital account. The relevant bank must conduct spot checks afterwards in accordance with the relevant requirements. Considering that SAFE Circular 28 and SAFE Circular 8 are principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, there remain uncertainties with our future compliance requirement.

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We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our foreign-invested subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the [REDACTED] we expect to receive from this [REDACTED] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

**There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.**

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**SAT Circular 7**”), which was further revised in October and December 2017 and replaces certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**SAT Circular 698**”). SAT Circular 7 provides comprehensive guidelines relating to, and has also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-PRC resident enterprise of taxable assets (including equity interests) of a PRC resident enterprise (the “**PRC Taxable Assets**”). For example, SAT Circular 7 states that where a non-resident enterprise transfers PRC Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding EIT payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the PRC tax authorities as a direct transfer of PRC Taxable Assets. On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**SAT Circular 37**”), which came into force and replaced SAT Circular 698 and certain other rules or regulations on December 1, 2017 and further revised on June 15, 2018. SAT Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-PRC resident enterprises.

Although SAT Circular 7 contains certain exemptions, exemptions under SAT Circular 7 may not be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or vice versa, or to any future acquisition by us outside of PRC involving PRC Taxable Assets. Therefore, the PRC tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-PRC resident enterprises, or any future acquisitions by us outside of PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities. And, if we fail to comply with SAT Circular 7 and SAT Circular 37, the PRC tax authorities may take action, including requesting us to provide assistance in



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their investigation, or may impose a penalty on us, which could have a negative impact on our business operations.

**Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

After our Company becomes an overseas listed company upon the completion of the [REDACTED], we, along with our Directors, executive officers and other employees who may be granted options, may be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year participating in any stock incentive plan of an overseas publicly listed company, subject to limited exceptions, are required to register with the SAFE through a domestic qualified agent, and complete certain other procedures. Failure to complete SAFE registrations may subject them to fines and other legal sanctions.

In addition, the SAT and the MOFCOM have issued certain circulars with respect to employee share incentives. Under these circulars, our employees working in China will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. We have the obligation to file documents relating to the employee share options or restricted shares with the relevant tax authorities and to withhold individual income tax for those employees. If our employees fail to pay or we fail to withhold income tax according to the relevant laws and regulations, we may face sanctions imposed by the relevant competent authorities.

**Fluctuations in exchange rates could result in foreign currency exchange losses.**

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

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### RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the Contractual Arrangements that establish the structure for operating our business in the PRC do not comply with applicable PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and being forced to relinquish our interests in those operations.**

Foreign ownership of certain of our businesses involving internet cultural business and value-added telecommunication services business is subject to prohibition and/or restrictions under current PRC laws and regulations. For example, foreign investors are generally prohibited from holding equity interests in any enterprise engaging in internet cultural business and are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider.

We are a Cayman Islands exempted company and ZX WFOE, our indirect wholly-owned PRC subsidiary, is a foreign-invested enterprise. To ensure compliance with the PRC laws and regulations, we conduct our foreign investment-restricted business in China through our PRC Operating Entities based on the Contractual Arrangements. As a result of the Contractual Arrangements, we are able to exert control over our PRC Operating Entities and consolidate financial results of our PRC Operating Entities in our financial statements under HKFRS. See “History, Reorganization and Corporate Structure” for further details.

Our PRC Legal Adviser is of the opinions that: (i) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto; (ii) no agreements under the Contractual Arrangements violate any provisions of the articles of association of ZX WFOE or Jiangxi Tanwan; and (iii) the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except in relation to the provisions regarding the dispute resolution and liquidation mechanism under these agreements. None of the agreements under the Contractual Arrangements would fall within the contract void circumstances as stipulated in the Civil Code of People’s Republic of China (《中國人民共和國民法典》) (“**Civil Code**”). The PRC government may take a view contrary to the above opinions of our PRC Legal Adviser. If the PRC government finds that we are in violation of any existing or future PRC laws, the relevant government authorities with jurisdiction over the operation of our business would have discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of our PRC Operating Entities related to our internet cultural business and value-added telecommunication services business;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations, or imposing other requirements with which we or our PRC Operating Entities may not be able to comply;

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- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenue generated from our internet cultural business and value-added telecommunication services business;
- shutting down our servers or blocking our platform;
- requiring us to restructure our ownership structure or operations, including terminating the Contractual Arrangements and deregistering the equity pledges of Jiangxi Tanwan, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our PRC Operating Entities;
- restricting or prohibiting our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance the business and operations of our PRC Operating Entities;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in our PRC Operating Entities, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material and adverse effect on our business, financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of our PRC Operating Entities that most significantly impact their economic performance, and/or our failure to receive the economic benefits and residual returns from our PRC Operating Entities, and we are not able to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of our PRC Operating Entities in our consolidated financial statements, thus adversely affect our results of operations.

### **Our current corporate structure and business operations may be affected by the Foreign Investment Law.**

On March 15, 2019, the National People’s Congress of the PRC (“NPC”) promulgated the Foreign Investment Law (《中華人民共和國外商投資法》), which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law

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(《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People’s Court (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) took effect on January 1, 2020. The Foreign Investment Law does not explicitly classify whether variable interest entities, or VIEs, that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our Contractual Arrangements should be dealt with.

Foreign ownership of certain of our businesses is subject to restrictions or prohibitions under current PRC laws and regulations, including internet cultural business and value-added telecommunication services business. In particular, under the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (外商投資准入特別管理措施 (負面清單) (2021年版) (the “**Negative List**”), the online game operation business of our PRC Operating Entities falls within the scope of internet cultural business, which is a foreign investment prohibited business, and value-added telecommunications services business, which is a foreign investment restricted business. The FIL provides that (i) foreign-invested entities operating restricted business are required to obtain market entry clearance and other approvals from relevant PRC government authorities; (ii) foreign investors shall not invest in any prohibited business under the Negative List. If our control over our PRC Operating Entities through Contractual Arrangements are deemed as foreign investment in the future, and any business of our PRC Operating Entities is restricted or prohibited from foreign investment under the Negative List effective at the time, we may be deemed to be in violation of the FIL, the Contractual Arrangements that allow us to have control over our PRC Operating Entities may be deemed as invalid and illegal, and we may be required to unwind the Contractual Arrangements and/or restructure our business operations, any of which may have a material and adverse effect on our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing Contractual Arrangements, we may face uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.**

We have to rely on the Contractual Arrangements with Jiangxi Tanwan and the Registered Shareholders to operate the business in areas where foreign ownership is restricted or prohibited.

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Our revenue and cash flow generated from our internet cultural business and value-added telecommunication services business are attributable to the PRC Operating Entities. These Contractual Arrangements, however, may not be as effective as direct ownership in providing us with control over our PRC Operating Entities.

Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of our PRC Operating Entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current Contractual Arrangements, we rely on the performance by Jiangxi Tanwan and the Registered Shareholders of their obligations under the contracts to exercise control over our PRC Operating Entities. Jiangxi Tanwan or the Registered Shareholders may not act in the best interests of our Company or may not perform their obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings. See “— Risks Relating to Our Contractual Arrangements — Any failure by Jiangxi Tanwan or the Registered Shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business.”

**We may lose the ability to use and enjoy assets and licenses held by our PRC Operating Entities that are important to our business if it goes bankrupt or becomes subject to a dissolution or liquidation proceeding.**

Our PRC Operating Entities hold certain assets that may be critical to our business operations. If the Registered Shareholders breach the Contractual Arrangements and voluntarily liquidate any of the PRC Operating Entities, or if any of the PRC Operating Entities declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent as provided in the Contractual Arrangements, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. In addition, if any of the PRC Operating Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets, thereby hindering our ability to operate our business, which could materially or adversely affect our business, financial condition and results of operations.

**The Registered Shareholders may have potential conflicts of interest with us.**

The Registered Shareholders may have potential conflicts of interest with us. These Registered Shareholders may breach, or cause Jiangxi Tanwan to breach, or refuse to renew, the existing Contractual Arrangements we have with them and Jiangxi Tanwan, if they believe it would further their own interest or if they otherwise act in bad faith, which would have a material and adverse effect on our ability to effectively control our PRC Operating Entities and receive substantially all the economic benefits from it. For example, Registered Shareholders may be able to cause our agreements with Jiangxi Tanwan to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements

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to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these Registered Shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between us and the Registered Shareholders. If we cannot resolve any conflict of interest or dispute between us and the Registered Shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

**If we exercise the option to acquire equity ownership or assets of Jiangxi Tanwan, the ownership or asset transfer may subject us to certain limitations and substantial costs.**

Pursuant to the Contractual Arrangements, ZX WFOE or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Jiangxi Tanwan from the Registered Shareholders. The equity transfer may be subject to the approvals from or filings with or reporting to the MOFCOM, the MIIT, the Ministry of Culture and Tourism (“MOCT”), the SAMR and/or their local competent branches as well as polices in relation to restrictions on foreign investment. ZX WFOE also has the exclusive right to purchase all or any part of the assets in Jiangxi Tanwan at the minimum purchase price permitted under PRC laws and regulations or by the relevant government authorities. The respective Registered Shareholders shall return the amount of purchase price they have received to ZX WFOE. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The amount to be received by ZX WFOE may also be subject to enterprise income tax. Such tax amounts could be substantial and our financial condition may be adversely affected as a result.

**Contractual Arrangements we have entered into with Jiangxi Tanwan and the Registered Shareholders may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your [REDACTED].**

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. If the PRC tax authorities deem the transactions under the Contractual Arrangements are not conducted on an arm’s length basis and resulted in deferral or underpayment in taxes, they are entitled to make special tax adjustments which might result in the increase of the PRC Operating Entities tax liabilities. If the tax authorities conduct special tax adjustments, they might impose interest charges for the underpaid taxes. Our financial position could be adversely affected if our PRC Operating Entities tax liabilities increase or if our PRC Operating Entities are required to pay interest charges.

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### RISKS RELATING TO THE [REDACTED]

**There has been no prior public market for our Shares prior to the [REDACTED], and you may not be able to resell our Shares at or above the price you pay, or at all.**

Prior to the [REDACTED], there has been no public market for our Shares. The initial [REDACTED] for our Shares was the result of negotiations among us, the [REDACTED] and the [REDACTED] (on behalf of the [REDACTED]) and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. We have applied for [REDACTED] and permission to [REDACTED] our Shares on the Stock Exchange. There is no assurance that the [REDACTED] will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the [REDACTED] to vary significantly from the [REDACTED]:

- Our financial results;
- unexpected business interruption resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the mobile game industry;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts’ estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, [REDACTED] in our Shares may suffer substantial losses.

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**Filing with the CSRC may be required in connection with the [REDACTED] and [REDACTED], and, if required, we cannot predict whether we will be able to complete such filing.**

On February 17, 2023, the CSRC released the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “**Overseas Listing Trial Measures**”) and five supporting guidelines, which will come into effect on March 31, 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that companies that satisfy all of the following conditions shall be deemed as “legacy enterprises” (存量企業) and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authority or stock exchange (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to March 31, 2023, (ii) the company is not required to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as a new hearing for the listing application of its shares on the Stock Exchange) after March 31, 2023, and (iii) such overseas securities offering or listing shall be completed on or prior to September 30, 2023. See “Regulatory Overview – Regulations on M&A and Overseas Listings”. Based on the foregoing, if we pass the hearing for the [REDACTED] on or before March 31, 2023 but fail to complete the [REDACTED] on or before September 30, 2023, we will be required to complete the filing procedures with the CSRC in connection with the [REDACTED] and [REDACTED]. However, we cannot assure you that we could meet such requirements or complete such filing in a timely manner. Any failure may restrict our ability to complete the [REDACTED] or any future equity capital raising activities, which would have a material adverse effect on our business and financial positions.

As of the date of this document, we had not received any inquiry, notice, warning, or sanctions regarding the proposed [REDACTED] and [REDACTED] or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the Overseas Listing Trial Measures or with respect to the VIE structure. However, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us or otherwise tighten the regulations on companies with a VIE structure. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions which may



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have a material adverse effect on our business and financial condition as well as our ability to complete the [REDACTED].

**Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.**

Immediately following the completion of the [REDACTED], our Controlling Shareholders will hold in aggregate approximately [REDACTED]% of our Shares, assuming the [REDACTED] is not exercised. Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the market price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

**Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.**

The [REDACTED] of our [REDACTED] is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, [REDACTED] may not be able to sell or [REDACTED] our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

**We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.**

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. For details of our intended use of [REDACTED], see “Future Plans and Use of [REDACTED]” in this document. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED].

**Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.**

Sales of substantial amounts of Shares in the public market after the completion of the [REDACTED], or the perception that these sales could occur, could adversely affect the market

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price of our Shares. Although our Controlling Shareholders is subject to restrictions on its sales of Shares within 12 months from the [REDACTED] as described in “[REDACTED]” in this document, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the [REDACTED], or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in “Appendix IV — Statutory and General Information” or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

**You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our executive Directors or senior management. There may also be difficulties in protecting your interest under the laws of the Cayman Islands.**

Substantially all of our assets are located in China and all of our executive Directors and senior management reside in China. Therefore, there remains the possibility that investors may not be able to directly effect service of process within Hong Kong or outside of China upon us or our Directors or senior management. On July 14, 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”), which came into effect on August 1, 2008. On January 18, 2019, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement comes into effect, there remains the possibility that a judgment rendered by a Hong Kong court may not be enforced in China if the parties in the dispute do not agree to enter into a choice of court agreement.

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law

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are governed by the Memorandum and Articles, the Companies Act and the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands (as compared to Hong Kong) as well as from English common law. The decisions of the English courts are highly persuasive, but are not binding, on a court in the Cayman Islands (except for the decisions handed down from the Judicial Committee of the Privy Council to the extent that these have been appealed from the Cayman Islands courts). The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

### **There may be dilution because of [REDACTED] of new Shares or equity securities.**

In spite of our current bank balances and cash and the [REDACTED] from the [REDACTED], we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

### **Because the initial public [REDACTED] per Share is higher than the net tangible book value per Share, purchasers of our Shares in the [REDACTED] will experience immediate dilution.**

The [REDACTED] of our [REDACTED] is higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, purchasers of our Shares in the [REDACTED] will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible assets value per share of their shares. If we issue additional Shares in the future, purchasers of our [REDACTED] may experience further dilution.

### **Whether and when the dividends will be declared and paid cannot be assured.**

We declared dividend of RMB100.0 million in 2021 to the shareholders of such time. However, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC Operating Entities. Under applicable laws and the constitutional documents of our PRC Operating Entities, the payment of dividends may be subject to certain limitations. The calculation of certain of our PRC Operating Entities' profit under applicable accounting standards differs in certain respects from the calculation under HKFRSs. As a result,

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our PRC Operating Entities may not be able to pay a dividend in a given year even if they have profit as determined under HKFRSs. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our PRC Operating Entities, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association, Cayman Islands law and PRC laws, including, where required, the approvals from our shareholders and our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board.

Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future. See “Financial Information — Dividend Policy” in this document.

**If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.**

The trading market for our Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our Shares to decline.

**Certain facts, forecasts and statistics contained in this document are derived from a third-party report and publicly available official sources and they may not be reliable.**

Certain facts, forecasts and other statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from various government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this document, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same

## RISK FACTORS

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basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

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There may have been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED]. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media or otherwise publicly available, nor the fairness or appropriateness of any estimates/forecasts, views or opinions expressed by the press or other media or otherwise publicly available regarding our Shares or the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decision whether to [REDACTED] in our Shares or in the [REDACTED]. You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in making your [REDACTED] decision regarding our Shares.

**Forward-looking information in this document is subject to risks and uncertainties.**

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [REDACTED] should not place undue reliance on such forward-looking statements. All forward looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.