

BUSINESS

OUR BUSINESS MODEL

Who We Are

We are a publisher of online game products in China.

What We Offer

We are devoted to marketing and operating online games (in particular mobile games) in China. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. 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. In addition, according to Frost & Sullivan, our “Tan Wan” brand is an online game publishing brand widely accepted by Chinese players.

Since our inception, we have enabled marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023. We maintained an average of five years of business relationships with our five largest game developer clients during the Track Record Period. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. For the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated. During the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. In addition to game products, we also export our core capabilities to enabling marketing of online literature products.

Furthermore, the end-user insights we accumulate allow us to spot other needs of end-users. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand “Zha Zha Hui” (渣渣灰) and pop toy brand “Bro Kooli.” Benefiting from the end-user insights we accumulate, we continuously capture and analyze valuable end-user behavior and performance data. Based on our market analysis on e-commerce and social media platforms, we made a strategic decision to penetrate into the instant food industry. As such, our own brand “Zha Zha Hui” was established in late 2020. “Zha Zha Hui” is designed as an instant food brand with an emphasis on instant prepared rice noodles and primarily targets the instant food-centered pop culture. According to Frost & Sullivan, “Zha Zha Hui” has become one of the fastest growing brands in the instant food industry in terms of GMV. The GMV of China’s instant food industry increased by approximately 4.5% from 2020 to 2021 and 6.1% from 2021 to 2022. Since launch of the Zha Zha Hui brand, GMV generated by this brand increased significantly from RMB2.4 million in 2020 to RMB87.6 million in 2021, and further to RMB315.9 million in 2022. Additionally, we launched Bro Kooli, a self-developed trendy pop toy with a broccoli-like head, to capture the growth in the pop toy market. We have created and attributed characteristic backgrounds for Bro Kooli to establish emotional connections with individual consumers. Our consumer product business have diversified our revenue composition and have facilitated our expansion into offline channels, enabling us to generate larger end-user base and accumulate more end-user insights, which in turn allows us to further optimize our marketing and operation capabilities.

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Why Our Clients Choose Us

Our roots trace back to the beginnings of marketing and operating web-page game products for game developers. Many game developers lack resources, expertise and access to support the marketing and operation of a game product developed by them on their own. In particular, game developers may have limited access to marketing and monetization tools required to operate a successful lifecycle for the game products they develop. Our history provides us with substantial experience that we leverage to attract and retain reputable game developers and identify game products with potential to realize a longer lifecycle. Our expertise in monetization of online games and marketing analytics technologies has enabled us to navigate our clients through the entire life journey of their game products, covering product evaluation, precision marketing, in-depth operation and brand development. Please see “— Our Core Competitive Edges” for a detailed description of our precision marketing, in-depth operation and brand development capabilities. We collaborate with talented game development teams of our clients, providing our expertise, technological resources, customer service, marketing strategy and other services to achieve a better outcome. In addition, compared with advertising agencies and media platforms, which typically serve as a standalone marketing or distribution channel as part of our overall marketing strategy for a particular game product, we have accumulated a set of assets, capabilities and business processes to bring online game products to Chinese players. Please see “— Our Online Game Publishing Business and Other Marketing Business” for a detailed description of our service process. We believe our model is differentiated from competitors, will be challenging to replicate because we have developed our service and technology infrastructure and know-how over our experience with online games, and strengthens our ability to deliver business predictability and sustainability.

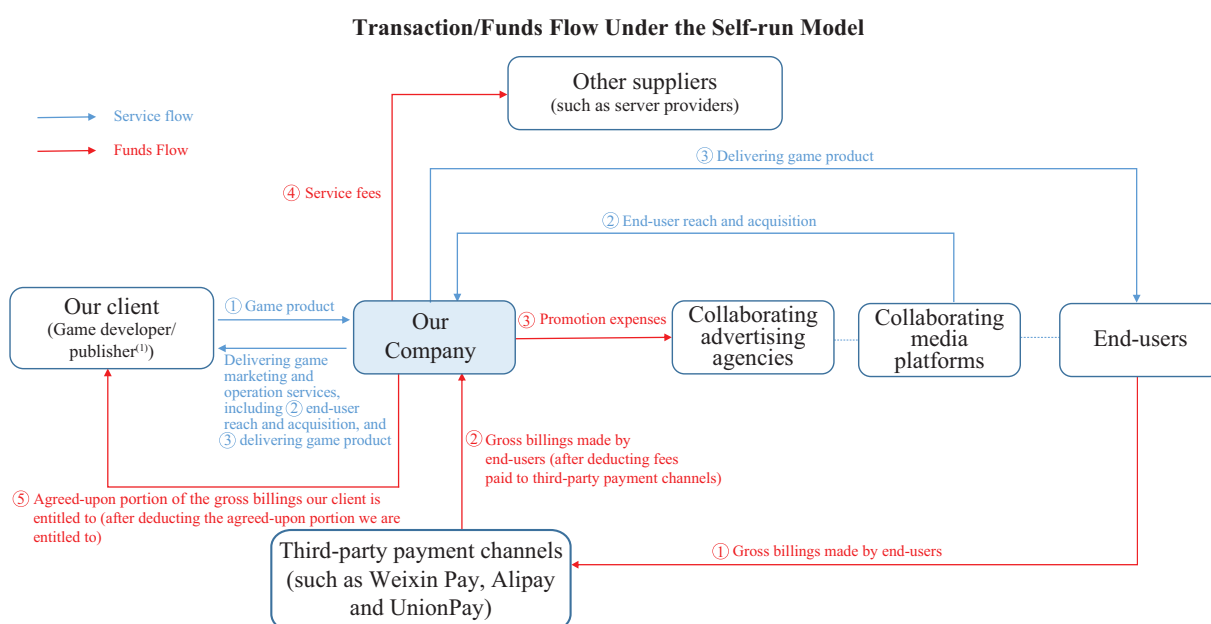
How We Run Our Business

Operation models of our online game publishing business

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game product we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. During the Track Record Period, the substantial majority of our revenue 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 online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

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Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the self-run model:



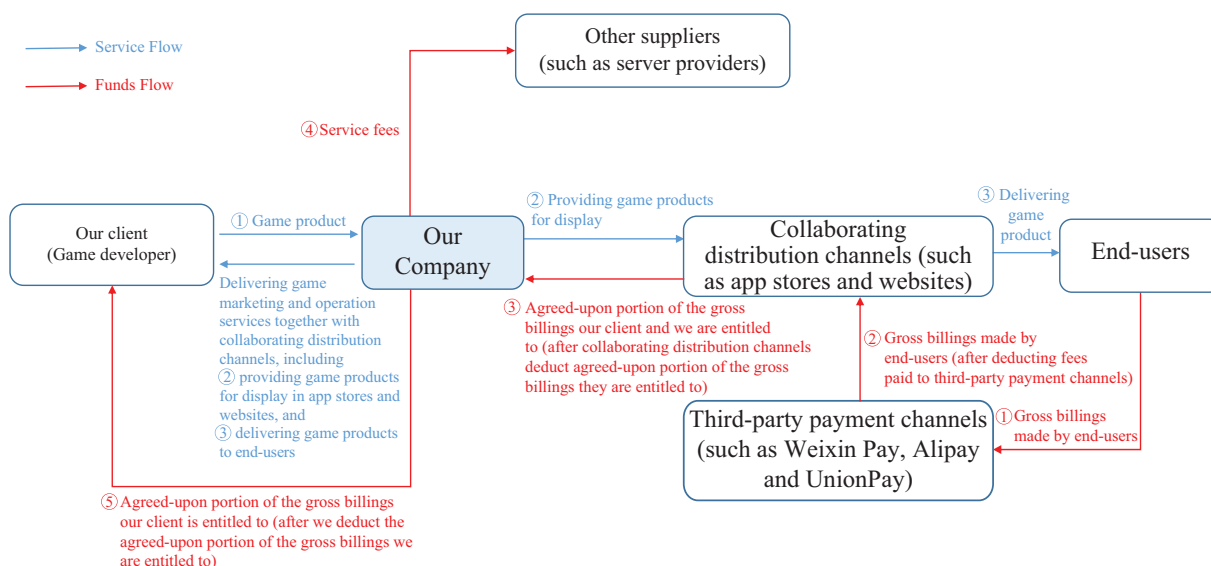
Note:

- (1) We provide marketing and operation support services to third-party game publishers for which we charge a service fee. We collect gross billings paid by end-users (after deducting fees paid to third-party payment channels) on behalf of such game publishers and charge service fees based on a certain percentage of the gross billings. During the Track Record Period, revenue generated from collaboration with game publishers, namely Zhejiang Zhengyou Internet Technology Co. Ltd. (浙江爭遊網絡科技有限公司) (“**Zhejiang Zhengyou**”) and Shangrao Xinxin New Technology Co. Ltd. (上饒市新新信息技術有限公司) (“**Shangrao Xinxin**”), amounted to RMB255.6 million, RMB98.7 million, RMB85.6 million, RMB29.0 million and RMB28.0 million, respectively. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, revenue generated from our collaboration with Zhejiang Zhengyou as a game publisher client was RMB86.9 million, RMB4.3 million, nil, nil and nil, respectively. During the same periods, revenue generated from our collaboration with Shangrao Xinxin as a game publisher client was RMB168.7 million, RMB94.4 million, RMB85.6 million, RMB29.0 million and RMB28.0 million, respectively. See also “— Our Business Model — How Our Business Generates Revenue” and “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

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Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the joint-run model:

Transaction/Funds Flow Under the Joint-run Model



Under the self-run model, we enable precision marketing, in-depth operation and brand development of the game products utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions. Under this model, we integrate all the components of our service flow for the particular game products we market and operate, and utilize our internal resources to execute all the steps along this service process, depending on the particular needs of the product.

Under the joint-run model, we leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game product. These collaborating distribution channels are mainly mobile application stores, through which we can further increase the coverage of end-users. In other words, we draw upon a portion of product distribution and end-user acquisition capabilities from external sources and channels, which also allow the end-users to experience the game product through such external channels on the mobile end.

During the Track Record Period, although the substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, 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 the same periods, respectively.

For each game product we market, we conduct initial data model evaluation, revenue forecast calculation and the brand effect analysis. Acknowledging the industry-wide trajectory

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towards maximizing monetization opportunities of mobile traffic through self-operated platforms, we strategically utilize the self-run model to increase the exposure of the game products we market and operate to target end-users at the initial marketing stage. We then make a determination on whether the product is suitable to be layered into the joint-run model, which depends on whether the product satisfies our pre-set criteria and demonstrate the potential to generate organic traffic by leveraging resources from the collaborating distribution channel. We consider several pre-set criteria for layering in the joint-run model, all of which are designed to enhance the likelihood of a successful marketing and operation of a game product. First, we evaluate whether collaborating distribution channels are instrumental to its likelihood of success, by monitoring the key operating data, identifying the areas that can benefit from synergistic effects, and devising strategies for leveraging resources of collaborating distribution channels to implement smoother, streamlined business operations. Such evaluation is tailored to individual game products we market and operate, but a common criterion for key game products is whether the game product has accumulated one million registered users under the self-run model. If it does, we consider such game product a strong candidate for the joint-run model to enhance its monetization potential. Other criteria we take into account include the game products’ user retention rates, and conversion rate of PUs from AUs, and ARPPU. Second, we evaluate if a particular collaborating distribution channel has a track record of attracting users for long-term gameplay for a particular sub-type of game product, based on their experience in game distribution and operations. For example, we evaluate whether such collaborating distribution channel has a history of enabling a game product of the same genre to have long-term gameplay among dedicated users who have continued to play the game since its launch. Based on the internal evaluation of the above factors and the potential competition a particular game product may face during testing and the initial stage of commercialization, we make a determination whether the joint-run model is suitable for marketing and operating a particular game product.

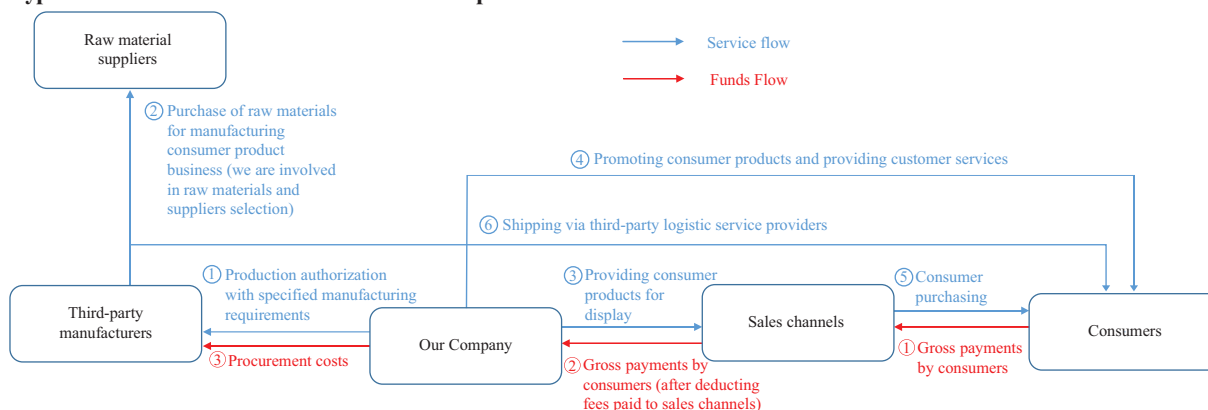
We believe that utilization of both the self-run and the joint-run model in marketing a game product not only captures the digital market trend, but creates synergies in strengthening our monetization capabilities. Under the joint-run model, we act as the primary game marketing and operation partner of our game developer clients, and pursuant to our service agreement with the game developer, we typically have the discretion to market and operate the game product under the joint-run model by engaging third party collaboration distribution channels. From time to time, we review and adjust the allocation of publishing activities between us and the various collaborating distribution channels, based on key considerations including (i) the improvement in operating metrics such as user retention rates, conversion rates of PUs from AUs, and ARPPU; (ii) the comparative cost-effectiveness of carrying out publishing activities by ourselves if a self-run model were adopted; and (iii) the synergistic effects brought by the collaboration, including if it has led to a smoother and streamlined operational process. Similar to when we first decide which game products are suitable for the joint-run model, such dynamic allocation of publishing activities is tailored to individual game products we market and operate. The contractual authorization is between us and the game developer client and the service details under the joint-run model are further elaborated in our agreements with the collaborating distribution channels. Therefore, under the joint-run model, we do not act as a collaborating distribution channel and third-party collaboration distribution channels are our suppliers rather than clients. For more details on the key terms of our arrangements with our clients, please see “—Summary of Key Terms of Framework Service Agreements With Our Clients.”

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Operation models of our consumer product business

Set forth below is a diagram illustrating a typical transaction/funds flow of our consumer product business:

Typical transaction flow for sales of consumer product business



How Our Business Generates Revenue

Revenue model for our online game publishing business

Most of the online games that we market or operate are under free-to-play basis whereby players can play the game free of charge or are charged for purchase of virtual items in the game, such as currency, avatars, property, powers, tools and gifts. Such payments are generally non-refundable and non-cancellable.

Under each of the self-run model and the joint-run model, so long as we market and operate a game product pursuant to a business arrangement under which the related game developer or publisher authorizes us to conduct marketing and operation, as applicable, we consider such game developer or publisher as our client and regard ourselves as the agent of such game developer or publisher in dealing with the end-users of the game product.

In exchange for our provision of the related services, we charge the client (game developer or publisher) a service fee as a percentage of the gross amounts that the end-users pay for the purchase of the virtual items in the game. We recognize the service revenue on a net basis which equals to the gross amounts collected from the end-users less the amounts shared by the game developer or publisher when the end-users pay for purchase of the in-game virtual items and when such amounts are determinable. Under each model, we generally determine the service fee based on features and estimated commercial value of the product and the business arrangements between the game developer or publisher client and us, such as the service scope and exclusivity. In addition, under certain agreements with the game developer or publisher, we are entitled to additional bonus based on the actual marketing performance. Revenue from such additional bonus is recognized when the amount is determined and confirmed by the game developer. During the Track Record Period, we were entitled to additional bonus from one game publisher client, Zhejiang Zhengyou Internet Technology Co. Ltd. (浙江爭遊網絡科技有限公司) (“**Zhejiang Zhengyou**”) for the provision of marketing and operation supporting services for eight game

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products. Zhejiang Zhengyou is a Chinese company established in 2016, mainly engaged in online game development, network technology transfer and providing marketing and technical services. Our performance with respect to a game product is assessed based on the effectiveness of our promotional activities. The additional bonus we are entitled to receive typically ranges from mid-single-digit to low-double-digit percentage of the total advertising fee we advance on behalf of the game publisher and determined on a product-by-product basis. In 2020, we received RMB31.7 million in additional bonus from Zhejiang Zhengyou. We terminated our service agreement with Zhejiang Zhengyou in 2021. See also “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

Under the self-run model for marketing and operating game products authorized by third-party game developers, the service fee we were entitled to receive as a percentage of the total gross billings generally ranged between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. The remaining gross billings typically go to game developer clients. Under the self-run model for marketing and operating our self-owned game product, we are entitled to receive the total gross billings as our fee. Under the self-run model, we also provide marketing and operation support services to third-party game publishers. We charge these game publishers a service fee based on a certain percentage of the gross billings that end-users pay for in-game virtual items, which generally ranged between 5% and 15% during the Track Record Period, with an average service fee of approximately 12%.

Under the joint-run model for marketing and operating game products authorized by third-party game developers, the service fee we were entitled to receive as a percentage of the total gross billings was generally in line with that under the self-run model, i.e., ranging between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. Pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 92% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, the service fee we were entitled to receive (excluding the portion our game developer clients are entitled to) as a percentage of the total gross billings generally ranged between 2% and 42% during the Track Record Period, with an average service fee of approximately 20%. Under the joint-run model for marketing and operating our self-owned game product, pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 94% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, we were entitled to receive a percentage of the total gross billings generally ranged between 6% and 60% during the Track Record Period, with an average service fee of approximately 11%.

The service fees we charge as a percentage of the total gross billings are negotiated individually and vary across individual clients and game products we market and operate under each of the self-run model and the joint-run model. Specifically, several factors affect the range of service fees we charge, including (i) the service scope, such as whether it includes offerings of precision marketing, in-depth operation and/or brand development to the game products, as applicable; (ii) the exclusivity, i.e., whether we may have the exclusive right to conduct

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marketing and operations for the target product in the specified regions; (iii) the track record of successful collaborations between us and the game developer clients; (iv) the experience of the game developer and the talents of the developer’s team; (v) degree of likelihood that the game can be developed on time and as envisioned; (vi) the developer’s track record for the delivery of games on time and within budget; (vii) historical sales performance of other games from the same game developer; (viii) estimates of potential sales of the target product, and (ix) potential use of third-party collaboration distribution channels. According to Frost & Sullivan, the aforementioned factors we take into consideration in determining the percentage of service fee, and the average service fees we were entitled to as a percentage of gross billings during the Track Record Period, are in line with the market practice.

The gross profit for game products operated under the self-run model was RMB2,312.4 million, RMB4,458.5 million, RMB5,896.5 million, RMB1,941.4 million and RMB1,424.9 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit for game products operated under the joint-run model was RMB126.1 million, RMB235.1 million, RMB387.9 million, RMB134.5 million and RMB159.2 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

The gross profit margin for game products operated under the self-run model remained relatively stable at 95.6%, 94.9%, 95.4%, 95.1% and 93.9% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit margin for game products operated under the joint-run model was 27.8%, 24.1%, 16.3%, 17.8% and 19.5% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

The key differences between the two models in profitability are due to the following:

- Under the self-run model, we conduct marketing and payment channel operation and/or brand development on our own, and we are responsible for identifying, contracting with the payment channels and the collaborating media platforms/advertising agencies or payment processing on behalf of game developer clients if needed. Therefore, commissions paid to the payment channels and the marketing fees calculated based on pay-to-sale are included in cost of sales.
- Under the joint-run model, we involve collaborating distribution channels to serve as both an end-user acquisition channel and our strategic partner to joint-run the authorized game products. A portion of the gross amounts paid by the end-users are withheld directly by the collaborating distribution channels (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution channels. We record the amount withheld by the collaborating distribution channels under the joint-run model as part of the cost of sales.

During the Track Record Period, in addition to marketing and operating game products authorized by third-party game developers, we also operated Legend of Guyun (古雲傳奇), in which we have had a full ownership since January 2022. Prior to our acquisition of its full ownership, this game product had been marketed and operated by us pursuant to an authorization from the then-third party game developer. Since our acquisition of the full ownership of this game product, we have been solely responsible for the game product development, maintenance,

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price setting and game server, and we consider ourselves as the principal of the game product and the end-users as the customers. We are obligated to provide on-going services to the end-users who make payments to gain an enhanced game-playing experience over the playing period, and accordingly we recognized the revenue ratably over the estimated average playing period of these paying end-users (“Player Relation Period”), starting from the point in time when the purchase of in-game virtual items is made, and all the other revenue recognition criteria are met. We estimate the Player Relation Period of a game based on historical data statistics of the paying players and reassess such period semi-annually.

Revenue model for our other marketing business

We also provide marketing services for developers of non-gaming applications (mainly online literature products). We consider the third-party literature content providers as our client and ourselves as an agent in the arrangement with both the third-party content providers and the online literature readers. We charge the client (content provider) a service fee as a percentage of the gross amounts that the online literature readers pay for the subscription of the online literature product. We recognize the service revenue on a net basis which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable. We generally determine the service fee based on features and estimated commercial value of the online literature product and the business arrangements between the content provider and us.

Revenue model for our consumer product business

We sell rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” to the end consumers over third-party online retail platforms and to the distributors. Revenue from the sale of such consumer products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt and acceptance of products. We generally determine the selling price based on the cost of procurement and production and our arrangement with third-party online retail platforms or local distributors.

Financial Performance of Our Business

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we generated a revenue of RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7 million and RMB2,448.3 million, respectively. In 2021, 2022 and the four months ended April 30, 2022 and 2023, we generated a profit of RMB616.4 million, RMB491.5 million, RMB124.6 million and RMB242.1 million, respectively. We recorded a loss of RMB1,301.1 million in 2020.

Substantially all of our revenue from the online game publishing business and other marketing business during the Track Record Period was generated from marketing and operating game products. During the Track Record Period, the substantial majority of our revenue 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.

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In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our revenue generated from consumer product business amounted to nil, RMB30.3 million, RMB215.8 million, RMB35.5 million and RMB81.8 million, accounting for nil, 0.5%, 2.4%, 1.1% and 3.2% of our total revenue, respectively.

Our Market Opportunity

China has been the world’s largest market of online games in terms of gross billings since 2015. The market size of the online game market in China in terms of user spending increased from RMB210.4 billion in 2018 to RMB288.3 billion in 2022 at a CAGR of 8.2% and is expected to reach RMB392.1 billion in 2027, representing a CAGR of 6.3% from 2022 to 2027. Online games can be classified as PC games and mobile games depending on the operating device and mobile games accounted for 83.3% of the online game market in 2022 in terms of user spending. According to Frost & Sullivan, China’s mobile game market grew rapidly in terms of user spending at a CAGR of 11.0% from RMB158.0 billion in 2018 to RMB240.2 billion in 2022 and is expected to reach RMB343.0 billion in 2027, representing a CAGR of 7.4% from 2022 to 2027. The mobile game market has dominated the combined online game market in China, with a revenue share of over 83.3% in 2022 and is expected to continue dominating the online game market, with the revenue share further increased to 87.5% in 2027. The shift towards online game play, along with in-game monetization and marketing analytics technologies, have transformed the way consumers interact with video games.

According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. 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 believe success in delivering a highly engaging consumer experience results from use of our proprietary technologies and expertise accumulated through our continued refinement of our insights.

Key drivers that contribute to the growth of the mobile game industry in which we operate include: (i) increasing demand for innovative and quality game products; (ii) increasing importance of comprehensive marketing and operating capabilities; (iii) increasing consumption and willingness to pay by mobile game players; (iv) development of technology infrastructure and (v) overseas markets exploration. In addition, there are significant entry barriers and challenges in the mobile game industry in China, including: (i) relationships with business partners; (ii) brand awareness and end-user base; (iii) knowledge of end-user preference and market trends; (iv) technology know-how and (v) emerging mobile game marketing, operation and distribution methods.

See “Industry Overview” for a detailed description of the competitive landscape of the industry we operate in.

Our Clients and Suppliers

During the Track Record Period, our clients primarily consisted of developers of game products. We review our clients on a regular basis. For the years ended December 31, 2020,

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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%, 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.

During the Track Record Period, our suppliers primarily consisted of third-party advertising, marketing and channel distribution service agencies or providers. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, (i) our five largest suppliers in each year/period contributed to approximately 56.1%, 64.5%, 59.0% and 53.4% of our total purchases for the same year/period, respectively; and (ii) our largest supplier in each year/period contributed to 28.0%, 24.8%, 24.4% and 16.3% of our total purchases for the same year/period, respectively.

Please see “—Our Clients and Suppliers” for more information on our five largest clients and suppliers during the Track Record Period and “—Summary of Key Terms of Framework Service Agreements With Our Clients” and “—Summary of Key Terms of Collaboration Agreements with Our Suppliers” for more information on our business arrangements with our clients and suppliers.

Massive Player Network and Loyal End-User Base of Game Products Operated by Us

Our clients, primarily game developers, rely on us to leverage our expertise in monetization of online games and marketing analytics technologies to attract and retain end-users for the game products they develop. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). The Tan Wan brand has amassed and nurtured a vibrant Tan Wan community of players on various game products that we market and operate. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users.

We take the following measures to create and maintain a vibrant Tan Wan community for players.

First, as an important component of our strategy to elevate user experience, we pay particular attention to the needs of middle-aged adult players, who we believe represent a nostalgia-driven and brand-conscious group that acknowledges value from game products with potential for a longer lifecycle and poised to expand their purchasing power because of the superior user experience. We believe delighting our Tan Wan community players with a superior game experience represents a significant opportunity for us to retain and expand our user base.

Second, we focus heavily on building long-term relationships with these players, and in particular on our ability to retain them over the long term. We have a track record of attracting our audience to new games and retaining them within our network. As an example of our success in attracting and retaining users, as of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. Furthermore, for the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated, and during the Track Record Period, the average

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monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. We aim to first attract players to download the game products we market and operate through our precision marketing efforts and attract new players through word-of-mouth promotion. Second, we work with game developers to develop games with features that will motivate players to make purchases within the game products we market and operate, and then finally to enhance the number of purchases made by our end-users. We believe the longevity of our end-user base is a result of our continued release of new levels and content, and cross-promotion. To drive retention and cross-promotion, The longevity of our end-user base is highlighted by our ability to enable marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023, showing stickiness and dedication of our end-users. The longevity of our end-user base is also highlighted by our ability to achieve an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated for the four months ended April 30, 2023, and the average monthly revenue per paying user (ARPPU) of RMB411.1 for all the game products we marketed and operated during the Track Record Period. we use a data-centric, rule-based approach aimed at enhancing aggregate product-specific return parameters, regardless of content, channel or advertising format. This rule-based approach to drive user retention is a value-driven approach based on maximized end-user lifetime value to our on-network marketing programs. The nature of the end-user lifetime value is estimated based on our Hetu (河圖) and Luoshu (洛書) systems with assumptions and trend performance of the game product and a set of criteria including region, game and cohort (i.e., target end-user group). We frequently refresh these clusters and adjust them based on our acquisition strategies, and systemically review the effectiveness of our measures to optimize our end-user lifetime value. Our technology infrastructure allows us to actively manage and prioritize these communications to our audience in a way that increases the long-term value of our network.

Third, we highly value players’ feedback on the game products we market and operate. As early as the pilot testing stage, the testing data help us to verify the games’ designs, core gameplay, player experiences and overall commercial potential so that we can communicate with the third-party game developers, and adjust and optimize the development strategies in a timely manner. We also proactively seek players’ feedback on the game products we market and operate through organizing online and offline player activities to enhance players’ sense of belonging and identification with us. For example, we organize offline events for our players, including group games and communications between our players and our operation team.

Fourth, we attract players to our Tan Wan community through our various tailored precision marketing strategies, and we retain players by organizing activities and encouraging player interactions via our official accounts on various social media platforms. We have a dedicated operation team that manages the player community accounts and actively interacts with the community participants. Through the Tan Wan community, the players can receive from us latest information about the games we market and operate, including recent events we organize, opportunities to participate in testing the new games launched and free in-game virtual items. We also proactively seek players’ feedback on the games we market and operate and organize online and offline player activities to enhance players’ sense of belonging and identification with us.

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Our Core Competitive Edges

We attribute our continued growth to several distinguishing elements.

Precision Digital Marketing Capabilities. Efficient precision digital marketing is our core competence. Benefitting from the insights accumulated from the mobile game industry and our data-driven decision-making technology platforms, namely the Hetu (河圖) and Luoshu (洛書) systems, we can accurately allocate marketing resources and pinpoint suitable end-user traffic acquisition and management strategies through real-time minute-based data. Our integrated digital marketing engagement system, Hetu (河圖) system, could monitor the outcome of the advertisement campaigns while effectively monetizing the user traffic by enabling purchases from end-users. Leveraging our intelligent end-user engagement platform, we have also achieved automatic adjustment and optimization of the end-user traffic acquisition and management strategies. Notably, as the game products we market are distributed on multiple devices, we deploy our campaigns across a wide mix of social and mobile channels. Leveraging the variety of data generated from cross-platform distribution, we believe we can deliver high returns for the products in the long run. Our data scale and channel diversification contribute to the economy of scale. We operate thousands of campaigns targeting hundreds of discrete clusters through a mix of channels and formats across multiple platforms, subject to the tailored product-specific target return parameters. We regularly monitor the results of our digital marketing campaigns.

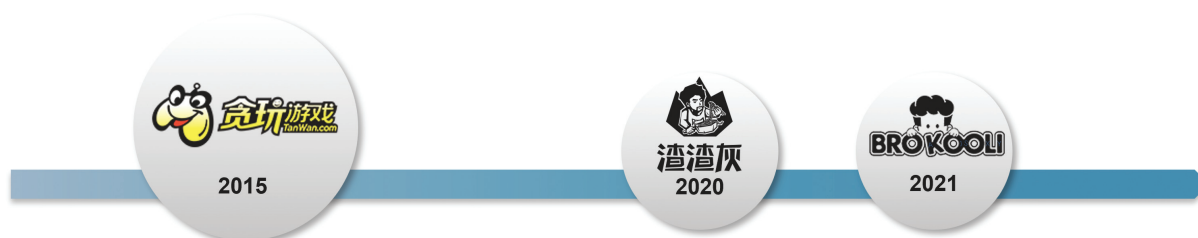
As an example of our precision marketing capabilities, we are one of the first companies in the mobile game industry to engage celebrity endorsement for promotion and marketing. We have accumulated extensive experience in selecting suitable celebrity spokespersons. We have cooperated with more than 30 celebrity spokespersons to enhance brand development and marketing of game products. Leveraging our intelligence analytics capabilities, we choose spokespersons with fan groups similar to those that might be the target user groups of the marketed product. We have gradually expanded our selection of spokespersons to a variety of newly emerged influencers, including live streamers and video game commentators, among others. We believe our marketing model is in line with the latest industry trends and able to bring brand effect and fan effect in the marketing of the game product. Our Hetu (河圖) system can monitor and analyze the promotion effect of marketing materials of the spokesperson due to its ability to correlate events across multiple sources to discover patterns, identify trends and predict outcomes across millions of data to understand changes in end-user behavior as a result of the promotion efforts by the spokesperson, as well as the distribution effects generated from various distribution channels.

In-depth Operation Capabilities. We believe our full lifecycle game product operation enhancement capabilities set us apart from our competitors. We provide in-depth operation for the game products we market and operate throughout their lifecycle. For example, we initially advise our clients on game product design, product optimization, launch schedules and promotion strategies based on online testing results. Prior to the official launch of a product, we provide game development feedback package for the next one to two months following its launch as to maintain the end-user freshness and increase end-user stickiness. Afterwards, we also monitor system logs and user actions regularly and provide recommendations for product design,

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promotion strategies and end-user retention plans. Our marketing department works closely with our operation department and provides feedback to them from time to time during the product operation stage. In addition, our in-depth operation capabilities aim to address one of the common challenges for game developers, which is end-user churn. Our insights powered by machine learning and our big data analytics tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing end-user retention and engagement potential and resulting in a higher lifetime value and a longer lifecycle. Our technology platform ingests and analyzes disparate parameters to generate views of behavior analysis, the likelihood of player churn and in-game purchase intent, which are then translated into marketing campaigns for highly targeted end-users across specific marketing channels we choose to integrate. Notably, our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings. We believe our in-depth operation capabilities deepen our relationships with our clients and foster long-term cooperation.

Brand Development Capabilities. Our brand development capabilities are two-fold. First, we distinguish ourselves from our competitors by providing tailored brand development solutions to our clients, in particular, developers of mobile game products. Our brand development capabilities have enabled us to enhance the brand awareness and penetration of game products and thus build a structured long-lasting IP or IP matrix. For a detailed description of our brand development capabilities for game products, please see “—Our Online Game Publishing Business and Other Marketing Business — Service Flow of Online Game Publishing Business —Brand Development.” Second, benefitting from our continued success in end-user acquisition and retention, more end-users have begun to recognize our own brand. For example, our “Tan Wan” brand, under which the online games developed by our clients marketed and operated by us are delivered to player is an online game publishing brand widely accepted by Chinese players, according to Frost & Sullivan. This, in turn, provides us with an opportunity to create and develop our own consumer product brands, such as the instant food brand established in late 2020 — “Zha Zha Hui.” We are working on cultivating our own brands across industries based on the latest consumer preferences and trends and with highly recognizable characters.



OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contributed to our historical success and will drive our future growth.

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An experienced market player in China’s mobile game industry leveraging capabilities in precision marketing, in-depth operation and brand development.

We are devoted to marketing and operating online games (in particular mobile games) for game developers in China. We have substantial expertise that we can leverage to attract and retain reputable game developers and identify game products with potential to realize a longer lifecycle. Our expertise in monetization of online games and marketing analytics technologies has enabled us to navigate game developers through the entire life journey of their game products, covering product evaluation, precision marketing, in-depth operation and brand development. According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. 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.

Our online game publishing business and other marketing business is the result of research, observation, iteration, and enhancement. During the Track Record Period, our game product portfolio primarily consisted of games developed by developers of different sizes. The game products we market and operate are typically long-lasting in nature and are featured with fun and creative characteristics. In addition, we upgrade and release new features with customized elements targeting different end-user groups. By doing this, we are able to reach a broad and active player base and foster long-term end-users retention for game developers. Since our inception, we have marketed and operated over 310 game products. We expect the portfolio of the game products we market and operate to expand in the foreseeable future as we continue to develop and solidify business relationships with game developers.

In addition, we continue investing in improving our approach and expanding the portfolio of game products. As such, we have established a pipeline that we deem viable for future precision marketing, in-depth operation and brand development. We expect to launch 30 to 50 new game products in 2023, including role-playing game (RPG), casual game and simulation game (SLG).

Notably, we run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game products we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. For each game product we market, we conduct initial data model evaluation, revenue forecast calculation and the brand effect analysis on the game product generated through the self-run model. Acknowledging the industry-wide trajectory towards maximizing monetization opportunities of mobile traffic through self-operated platforms, we strategically utilize the self-run model to increase the exposure of the game products we market and operate to target end-users at the initial marketing stage. We then make a determination on whether the joint-run model will be layered into this product, depending on whether the product satisfies our pre-set criteria and demonstrate the potential to generate organic traffic by leveraging resources from the collaborating distribution channel. We believe that utilization of both the self-run and the joint-run model in marketing a game product not only captures the digital market trend, but creates synergies in strengthening our monetization capabilities.

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Broad reach of end-user base with established stable business partnerships

Our success is built on our ability to form a large end-user base for our clients. We believe we are able to do so by leveraging our technology platforms highlighted by the Hetu (河圖) and Luoshu (洛書) systems, data analysis capabilities and user insights to operate game products based on internal test results. These technologies and analytical insights enable us to accurately simulate the actual performance of our marketing campaigns, thus providing precise recommendations of the game products to a large base of end-users with a higher chance of conversion. As of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. For the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated. During the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1.

In addition, we have established stable and comprehensive business partnerships with reputable game developers. Since our inception, we have marketed and operated over 310 game products. We maintained an average of five years of business relationships with our five largest clients during the Track Record Period.

Our reputation in the market enables us to select reputable game developers. Prior to entering into a framework service agreement to market and operate a particular game, we consider the criteria below when determining whether we should collaborate with a particular game product developer: (i) the experience of the game developer and the talents of the developer’s team; (ii) the developer’s track record for the delivery of games on time and within budget; (iii) historical sales performance of other games from the same game developer; (iv) the degree of likelihood that the target product can be developed on time and as envisioned; and (v) estimates of potential sales of the target product; (vi) whether the developer will be using technologies, such as game engines, with which the developer has successfully created games in the past; and (vii) the developer’s past releases on the platforms that the developer intends to use for the target product.

Leveraging our position in the mobile game industry, we have established long-term and stable relationships with major media platforms and are actively exploring opportunities to work with emerging channels to further solidify our position. As an example of our success, we ranked the third in terms of advertisement placement for game products in China in 2022, according to Frost & Sullivan. In addition, we were awarded the Best Game Brand Marketing Case of the Year Award by OceanEngine of ByteDance in 2020 and the 2020 Innovative Intelligent Marketing Award by Tencent Advertisement in China.

Prolonged product lifecycle and enriched product value empowered by in-depth operation capabilities

Our competitive advantages, overall growth, and financial profile are a direct result of our in-depth operation capabilities, and we believe our full lifecycle game product operation enhancement capabilities set us apart from our competitors. Since our inception, we have

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enabled marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023. We extend the life time value of a game product through our precision marketing and in-depth operation capabilities to realize long-lasting effects. See “— Our Online Game Publishing Business and Other Marketing Business — Service Flow of Our Online Game Publishing Business” for more details. In particular, we actively take the following measures to extend the life time value of the game product we market and operate: (i) we have established a comprehensive systematic approach to game product selection, marketing and operation, including (a) monitoring and analyzing end-users’ feedback and gameplay habits and continuously working with game developers to offer new contents and gameplays, (b) communicating with end-users through in-game communication channels, posting interesting game-related content and collecting their feedback in the respective player community, (c) offering online community events for holidays, (d) continuously working with game developers to update games with elements of popular culture and other features, and (e) continuously conducting promotional activities such as brand promotion and traffic acquisition; (ii) our marketing team work closely with game developers to continuously refine game features after their launch; (iii) we work with game developers to offer a quality game environment to end-users, including preventing the use of plug-in cheating software, filtering inappropriate or illegal messages sent by players and detecting and fixing technical issues in time.

Notably, we provide in-depth operation for the game products we market and operate throughout their life cycle. For example, we initially advise our clients on game product design, product optimization, launch schedules and promotion strategies based on online testing results. Prior to the official launch of a product, we provide game development feedback package for the next one to two months following its launch as to maintain the end-user freshness and increase end-user stickiness. Afterwards, we also monitor system logs and user actions regularly and provide recommendations for product design, promotion strategies and end-user retention plans. Our marketing department works closely with our operation department and provides feedback to them from time to time during the product operation stage. In addition, our in-depth operation capabilities aim to address one of the common challenges for game developers, which is end-user churn. Our insights powered by machine learning and our big data analytics tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing end-user retention and engagement potential and resulting in a higher lifetime value and a longer lifecycle. Our technology platform ingests and analyzes disparate parameters to generate views of behavior analysis, the likelihood of player churn and in-game purchase intent, which are then translated into marketing campaigns for highly targeted end-users across as specific marketing channels as we choose to integrate. Our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings. We believe our in-depth operation capabilities deepen our relationships with our clients and foster long-term cooperation.

Continued self-reinforced intelligent technologies and R&D capabilities

Our advanced, scalable and reliable intelligence technologies lay the foundation of our success.

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We leverage insights and technical expertise to create our proprietary technology platforms, creating a competitive advantage over our competitors. Our technology platforms are built using a scalable, globally distributed framework with an elastic architecture that allows us to rapidly build new technologies and adapt to changing industry demands. We automate marketing and monetization, freeing developers of game products to focus on what they do best — app or game development. Our marketing data analytics capabilities allow us to optimize product performance, end-user acquisition and engagement and monetization based on predicted lifetime values of the product, driving value for both our clients as well as their end-users. We had accumulated more than 120.9 billion machine learning training sets through our technology platforms as of April 30, 2023.

As such, we have developed our own proprietary technology platforms, as highlighted by our intelligent end-user engagement platform — the Luoshu (洛書) system, and our proprietary business intelligence analytics system — the Hetu (河圖) system.

- ***The Luoshu (洛書) System*** — We have achieved centralized management of various media platforms through our intelligent end-user engagement platform, the Luoshu (洛書) system, which, in turn, enhanced the efficiency for placement. It allows us to address various marketing demands of the game products we market and operate, which in turn enhance end-user coverage with minimized human operations. The Luoshu (洛書) system features AI-driven engagement recommendations based on the automated match of the game products we market and operate and the traffic channels’ bidding systems. As of April 30, 2023, our Luoshu (洛書) system has established connections with over 220 collaborating online media platforms. This also affords us access to a vast amount of end-user engagement and platform performance data. The Luoshu (洛書) system achieves intelligent effective end-user engagement while building stable technical support for our future business expansion.
- ***The Hetu (河圖) System*** — Our proprietary business intelligence analytics system, our Hetu (河圖) system, is capable of monitoring and analyzing the marketing campaign results through various tags generated, including time slots, channels and characteristics of the target user group. Our Hetu (河圖) system generates over 3,000 analytical indicators to intellectually adjust the end-user engagement strategies and spending for the game products we market and operate on a real-time basis and optimize the campaign results to achieve the best marketing results. Our Hetu (河圖) system is able to conduct sub-second data inquiry and analytics and generate key features of users in real time.

Underlying our Hetu and Luoshu systems are our core technology capabilities, highlights of which include:

- ***Data processing infrastructure.*** Our data processing infrastructure enables us to manage and analyze end-user data and optimize our deep learning algorithms in real-time. In addition, we established a AI algorithm training system to develop deep learning algorithms and train deep learning models utilizing the big data we collected.

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Due to the complexity of analyzing various behaviors of our end-users, we have also developed a comprehensive online deep learning interactive system to support synchronistic computing to optimize the utilization of data and further streamline our deep learning model optimization, protection, deployment, management and monitoring.

- *User-centric database.* We have developed a large database of end-user profiles through our full lifecycle in-depth operation services, enabling us to conduct in-depth user behavior analysis construction, realize real-time decisions and achieve personalized and precise marketing for diverse end-users. We process and serve a large amount of content for our end-users every day. We believe that combining data analytics with creative game design enables us to create a superior experience which formed our core competence. Our user database has over 3,000 analysis tags, including demographic information of their followers such as age group, gender, geographical area, and predicted educational level; viewing interest and preference of its followers; and content nature, such as content format and categories.
- *AI-empowered deep learning algorithms.* With the ultimate goal of creating a high-quality and diverse end-user base, we are able to do so by leveraging our AI-empowered technology platforms highlighted by the Hetu and Luoshu systems. Through this, we have gained strong data analysis capabilities and unique user insights to effectively and efficiently recommend products based on internal test results. Since our success is being driven by industry trends and customer needs, we have focused on expanding the breadth and depth of our algorithms to improve our servicing capabilities to cater to the changing demands of our existing clients and attract new clients. To optimize our AI-empowered deep learning algorithms, we have deployed a broad range of cutting-edge algorithms for user profiling, automated analysis and effect prediction, which can improve the evaluation of scalable data from multi-dimensions. We have strategically built a robust intellectual property portfolio for our proprietary technology stack and data analytics to retain our competitive advantages. With the objective to extend our technology leadership position, we are currently developing more advanced algorithms tailored to our operations.

We devote substantial efforts and resources to R&D activities to maintain our edge on the technology front. As of April 30, 2023, we had 335 employees dedicated to R&D and related activities. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we incurred research and development costs of RMB472.4 million, RMB136.9 million, RMB157.7 million, RMB47.3 million and RMB57.7 million, respectively, mainly for the commissioned development of software and other technology systems. We invested in both the improvement of our existing systems, as well as in research that we believe will lead to the development of important new functions to expand and enhance our platforms. We plan to continue to leverage both in-house innovation and acquired talent and technologies to continue to grow our business.

Robust monetization capabilities through brand development capabilities

We believe a brand development strategy is a long-term plan designed to increase the value of a game product we market and operate and differentiate it from competitors and increase its

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impact among players. As a team, we start with the definition first by we defining what the game product is. To do this, we play the game as a whole team, from marketing to operations, and start to shape the answers to the questions in our minds by thinking like a player. The answers to all these questions are the cornerstones that will guide us to the next steps. In the competitive environment of the online game industry, we analyze the competitors in every detail, using the cornerstones we found at the beginning, to distinguish the game product we are working on from the others, and we aim to create a creative difference that will attract the attention of the players. For example, with this difference, we work with the game developer to create a key theme setup for the game product we market and operate that will appeal to the player. This theme aims to grab the attention of the players, so the popularity and lifecycle of the game product benefits from the emotional echo associated with the theme we set up, too.

Specifically, our brand development capabilities are two-fold. First, we distinguish ourselves from our competitors by providing tailored brand development solutions to our clients, in particular, developers of mobile game products. Our brand development capabilities have enabled us to enhance the brand awareness and penetration of game products and thus build a structured long- lasting IP or IP matrix. For a detailed description of our brand development capabilities for game products, please see “—Our Online Game Publishing Business and Other Marketing Business — Service Flow of Online Game Publishing Business —Brand Development.” Second, benefitting from our continued success in end-user acquisition and retention, more end-users have begun to recognize our own brand. For example, our “Tan Wan” brand, under which the online games developed by our clients marketed and operated by us are delivered to player is an online game publishing brand widely accepted by Chinese players, according to Frost & Sullivan. This, in turn, provides us with an opportunity to create and develop our own consumer product brands. We are working on cultivating our own brands across industries based on the latest consumer preferences and trends and with highly recognizable characters. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand “Zha Zha Hui” (渣渣灰) and pop toy brand “Bro Kooli.” Such consumer product business experienced rapid growth since launch. We recorded revenue from the consumer product business of nil, RMB30.3 million, RMB215.8 million, RMB35.5 million and RMB81.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

- **“Zha Zha Hui (渣渣灰)”** — Benefiting from the end-user insights we accumulate, we continuously capture and analyze valuable end-user behavior and performance data. Based on our judgments on market trends of e-commerce business and social media platforms, we made a strategic decision to penetrate into the instant food industry. As exemplified by the launch of our instant food brand “Zha Zha Hui” in 2020, we continuously capture and analyze valuable end-user behavior and performance data in connection with the popular RPG game products we market and operate. Through our market research on consumer demographics, buying habits and purchase power, including data analysis based on in-app purchases, we have learned that the end-users of this game product share desirable characteristics with lovers of instant food among the younger generation. We also believe that the brand recognition we have achieved with the end-users of the game products we market and operate will help drive the advancement and penetration of our business in the instant food sector. “Zha Zha Hui”

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is designed as an instant food brand with an emphasis on instant prepared rice noodles and primarily targets the instant food-centered pop culture. According to Frost & Sullivan, “Zha Zha Hui” has become one of the fastest growing brands in the instant food industry in terms of GMV. The GMV of China’s instant food industry increased by approximately 4.5% from 2020 to 2021 and 6.1% from 2021 to 2022. Since launch of the Zha Zha Hui brand, GMV generated by this brand increased significantly from RMB2.4 million in 2020 to RMB87.6 million in 2021, and further increased to RMB315.9 million in 2022.

- **“Bro Kooli”** — We have launched Bro Kooli, a self-developed trendy pop toy with a broccoli-like head, to capture the growth in the pop toy market. We partner with international artists to create cross-cultural and cross-linguistic nature IPs under Bro Kooli. We have created and attributed characteristic backgrounds for Bro Kooli to establish emotional connections with individual consumers. Our Bro Kooli features distinct designs and aesthetics, making it good fit for display and create a notion of self-expression and individuality with consumers. The pop toys created under Bro Kooli express an attitude of joy and optimism, which we believe could relate to the end-consumers. As such, we believe the embodiment of contents and artistic expression of the pop toys created under Bro Kooli establish a positive emotional connection with individual consumers.

Visionary and experienced management team

We are led by a visionary and experienced management team with solid, diverse and complementary backgrounds and a proven entrepreneur track record. Our co-founders and management team started working together as early as 2008. We have then assembled a superior management team with extensive industry experience who provides us with invaluable insights and guidance. Lead by our premium management team, we are able to anticipate major industry trend, accumulate insight on online traffic monetization and select suitable products with massive potential in the mobile game industry. Our management team has built a collaborative culture fostering both nimble and rational decision-making.

Mr. WU Xubo, our co-founder, chairman and chief executive officer, is a veteran entrepreneur with over 16 years of industry experience and abundant experience in corporate management. Mr. WU was recognized as the Outstanding Chinese Brand Entrepreneur (中國品牌優秀企業家) by Asian Brand Festival Organizing Committee (亞洲品牌盛典組委會) in September 2021, and Innovative Rao Businessman of the 2nd Global Rao Businessman Conference by Shangrao Municipal People’s Government in April 2021. Notably, he was awarded Top Ten Outstanding Youths in Shangrao (上饒十大杰出青年) and Shangrao Youth May 4th Medal (上饒青年五四獎章) by Shangrao City Committee of the Communist Youth League of the Communist Party of China (中共共青團上饒市委員會) and Shangrao Youth Federation (上饒市青年聯合會) jointly in May 2019 and May 2018, respectively. Our other co-founder, Ms. WU Xuan, has over 15 years of experience in online gaming industry. Ms. WU has insights into business management of online game marketing and operation and specializes in in planning and developing our consumer product business.

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We believe that our management team’s industry experience and vision have led us to our industry position. Such achievement has strengthened our presence and market share and laid a solid foundation for our further development and diversification. In the future, our management team will continue to lead us in capturing market opportunities and ensuring our rapid and sustainable growth.

OUR STRATEGIES

We plan to implement the following strategies. Please see “Future Plans and Use of [REDACTED]” for details on how we currently intend to apply the [REDACTED] from the [REDACTED] to implement our strategies.

Continue to enhance and expand online game publishing business and other marketing business

We have an attractive market opportunity within our growing online game publishing business and other marketing business and will continue to expand our product portfolio, identify products with high monetization potentials, diversify the end-user base and deepen content development of popular game products with potential for a longer lifecycle. In particular, we plan to implement the following strategies:

- **Product Coverage Expansion.** We will continue to utilize our end-users’ insights to monetize more quality game content and diversify and extend our game product portfolio.

First, we will continue to convert game products in development that we have been authorized to market and operate from the pipeline status to final commercialization. We expect to launch 30 to 50 new game products in 2023, including role-playing game (RPG), casual game and simulation game (SLG). Among the game products we expect to launch in 2023, we will continue to focus on the marketing and operation of RPG products based on our current market analysis. We also plan to expand genres coverage of our game products reserve, including casual games and SLG, to identify and capture new market opportunities in the next few years.

Second, we will continue to purchase new game IPs. We consider the following factors when selecting new game IPs that we intend to market and operate: (i) the potential of the game IPs for a longer lifecycle; (ii) the potential fan base of the IPs, including the number of fans, loyalties and willingness to purchase; and (iii) the popularity of the IPs, including the persistence of their popularity and the capability to derive new content from these IPs. In particular, we plan to secure new collaboration opportunities to allow us to market and operate new mobile games and content with potential to realize a longer lifecycle. We plan to enter into new framework service agreements with reputable game developers over the next four years for approximately 30 new mobile games under development, by capitalizing on our reputation as a competitive publisher

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for online games in China’s mobile game industry and leveraging our marketing data analytics capabilities.

- **Sector Coverage Expansion.** To solidify our position and capture the large unmet monetization opportunities, we will expand our portfolio beyond game products. Specifically, in addition to game products, we plan to export our core capabilities to enabling marketing of approximately five more online literature products and two other products, such as animation. Meanwhile, we will actively explore opportunities to research and develop high-quality content independently, which in turn enable the sufficient supply of diversified and high-quality content.
- **Explore International Business Opportunities.** We aim to provide overseas end-users with interactive experiences that are as captivating as game products we marketed and operated for the market in China, while at the same time customizing the game products that we market and operate based on local cultures, customs, folktales, lifestyles and end-users’ habits of specific markets.

We expect our product portfolio will be further diversified and enriched which in turn enable us to achieve sustainable growth. In the short run, we expect that (i) our cost of sales as well as our research and development costs will increase as we diversify and expand our product/sector coverage, and (ii) our selling and distribution expenses will increase as we invest more to develop our brand awareness for consumer product business. Such investments may result in a short-term downward pressure on our profit margin. In the long run, we believe our forecast financial growth will offset such impact as our investment in strengthening our core competitive advantages will allow us to develop and deliver additional and diversified products, expand and penetrate new industry verticals and achieve positive network effects.

We plan to invest approximately HK\$[REDACTED] for this business strategy, which will be funded by a combination of [REDACTED] from the [REDACTED], bank borrowings and our own funds. For details on the [REDACTED] to be allocated for this purpose, see “Future Plans and Use of [REDACTED].”

Continue to enhance our intelligence technologies and invest in technology and innovation

We are dedicated to maintaining a competitive edge in product quality and popularity through continued innovation and upgrades. We will continue our devotion to R&D and strengthen our technology capabilities. In particular, we plan to focus on the following areas:

- **Digital Marketing.** We will further strengthen our ability to accurately identify the needs of different groups of end-users and improve the efficiency in precision marketing by continuing to improve our Hetu (河圖) and Luoshu (洛書) systems. By doing so, we believe we will be able to refine our digital marketing capability and deepen our end-user insights.

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- **AI-Powered Intelligent Engagement.** We intend to increasingly incorporate AI technologies into our business. We intend to improve our R&D capabilities in AI engagement and big data analysis to improve the accuracy of AI promotion activities and enhance our marketing capabilities.
- **Client-Focused R&D Effort.** We plan to closely follow the prevailing market trends to enhance our algorithms to improve our capabilities to cater to the changing demands of our existing clients and attract new clients. Our client-focused R&D approach will keep focusing on bringing commercially viable technologies into our systems to further enhance end-user satisfaction.
- **Development of Home Brands and Content.** We believe our ability to create home brands and content will be a key stimulus for future growth. We plan to leverage our in-house game product development team to actively develop our own IPs game products and create in-house product matrix to further diversify our monetization sources.
- **Attract, Cultivate and Retain Talents.** In line with our business growth, we will continue to attract, cultivate and retain talent. We plan to expand our R&D team through in-house training, supplemented by external recruitment of experienced staff from industry leading companies.

We plan to invest approximately HK\$[REDACTED] for this business strategy, which will be funded by a combination of [REDACTED] from the [REDACTED], bank borrowings and our own funds. For details on the [REDACTED] to be allocated for this purpose, see “Future Plans and Use of [REDACTED].”

Further enhance brand development capabilities and diversify the content offered

To capture the enormous monetization potential of various business beyond game marketing and operation, we will continue to broaden the brand development capabilities and diversify our sources of income future diversify our revenue sources, particularly through “Zha Zha Hui” and “Bro Kooli.” We also aim to capture growth opportunities from potential clients from offline entertainment content-related segments in China.

- **Brand Development.** We continue to apply our expertise in gaming marketing campaigns to other business opportunities and nurture our own brands in marketing our clients’ game products. We also intend to expand and strengthen our consumer product business.
- **Diversifying the content offered.** The breadth, depth and effectiveness of the consumer access channel is critical to our success and development prospect. To facilitate our future product matrix and expansion plan, we intend to formulate and organize various marketing and branding activities in the targeted markets. In particular, we intend to further refine our multi-channel marketing strategy to enhance

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the integration of the online experience and offline scenarios, by increasing our investments in the pop toy industry to capture the growth opportunities brought by Web 3.0 and the metaverse. We plan to enhance the integration of the online digital experience and offline consumption scenes by developing and producing real-world equivalent virtual images from our IPs.

Specifically, we will continue to enhance and expand our consumer product business as part of our diversification strategy. We plan to implement the following specific strategies:

- We will continue to enhance our Zha Zha Hui brand through expanding our instant food products categories and enhancing its brand recognition. First, we strive to expand our instant food product offerings in different consumption scenarios and to continuously introduce new product categories beyond rice noodles, such as seasoned flour products and bean-based products. In particular, we will further optimize the consumption experience of our Zha Zha Hui series by introducing new flavors, upgrading packaging designs and enriching the nutrition value, so as to attract more customers; Second, we will further devote our efforts to enhance our brand recognition by establishing innovative and popular marketing campaigns to promote the instant food culture and creating connections with the game products we market and operate to enhance brand recognition. Third, we plan to exploit technologies such as big data, artificial intelligence, industrial internet and real-time computing to better understand the purchase behavior of our end-users, which in turn to further enhance our operating efficiency and management capabilities.
- We will continue to enhance our Bro Kooli brand. First, we will continue to enhance our brand awareness to attract more artists, approximately 10 over the next four years, to partner with our platform, which enable us to develop and launch more categories of pop toy products. Second, we plan to establish our in-house pop toy design department to enhance our in-house IP development capabilities. Third, in order to attract new pop toy fans and increase their stickiness, we plan to strengthen our marketing efforts to enhance brand influence. For example, we plan to attract fans through the pop toy conventions, autograph sessions, exhibits and other promotional activities.

We will also seek ways to potentially build new consumer product business or brands, including recruit approximately five consumer product designers with expertise in expanding a brand matrix into new verticals.

We plan to invest approximately HK\$[REDACTED] for this business strategy, which will be funded by a combination of net [REDACTED] from the [REDACTED], bank borrowings and our own funds. For details on the net [REDACTED] to be allocated for this purpose, see “Future Plans and Use of [REDACTED].”

Advance the full life cycle value chain and selectively pursue strategic acquisitions

In order to achieve our growth strategy, we plan to further advance our full lifecycle value chain and deepen the cooperation with other major market participants. We also plan to

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selectively pursue strategic alliances, acquisitions and investments along the full lifecycle value chain. For example, we are open to potential acquisition opportunities, such as popular and promising IPs in relation to metaverse to diversify our business.

- **Further Our Cooperation with Major Clients.** We will continue strengthening our collaborative relationships with our major clients, including developers of game products, to continuously improve our core competence in the mobile game industry. The collaborative relationships we have formed have contributed positively on our commercial image and formed an exemplary precedent for our future collaborations. Moreover, we aim to establish collaborative relationships with more promising innovative game developers to further supplement the game products we market and operate. More importantly, we plan to continue to enhance our abilities to provide precision marketing, in-depth operation and customized brand development strategies for our clients to enable them to prolong their product lifecycle and create more commercial value.
- **Strategic Partnership with Media Platforms.** We intend to deepen the collaboration with existing media platforms. We plan to explore opportunities to collaborate with media platforms with a large user basis to enable us to better promote the game products and other products developed by our clients.
- **Potential Investment and Acquisition Opportunities.** We plan to pursue acquisition and investment opportunities to strengthen our market position and enhance our competitiveness. We intend to focus on promising upstream and downstream participants in the digital mobile game industry value chain, including but not limited to app development studios, marketing technology companies, game developers with a track record of developing premium games and the capabilities to develop metaverse games, as well as fast consumer goods companies, to create synergies with our existing businesses and further expand our business boundaries.

We plan to invest approximately HK\$[REDACTED] for this business strategy, which will be funded by a combination of [REDACTED] from the [REDACTED], bank borrowings and our own funds. For details on the [REDACTED] to be allocated for this purpose, see “Future Plans and Use of [REDACTED].”

OUR ONLINE GAME PUBLISHING BUSINESS AND OTHER MARKETING BUSINESS

We are devoted to marketing and operating online games (in particular mobile games) in China. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. 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. In addition, according to Frost & Sullivan, our “Tan Wan” brand is an online game publishing brand widely accepted by Chinese players.

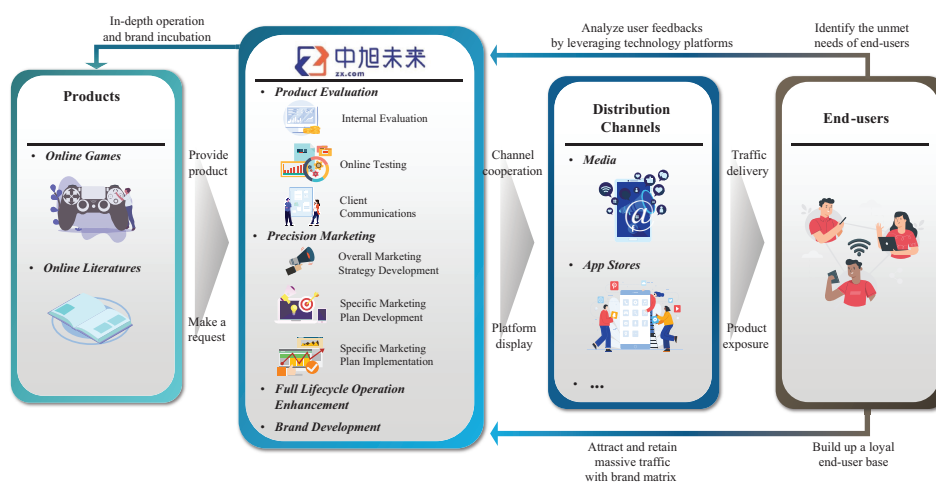
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We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game products we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. For each game product we market, we conduct initial data model evaluation, revenue forecast calculation and the brand effect analysis on the game product generated through the self-run model. We generally deliver game products marketed and operated by us to end-users through media platforms engaged by us under the self-run model and third party collaborating distribution channels under the joint-run model, such as Huawei App store or Xiaomi App store. Acknowledging the industry-wide trajectory towards maximizing monetization opportunities of mobile traffic through self-operated platforms, we strategically utilize the self-run model to increase the exposure of the game products we market and operate to target end-users at the initial marketing stage. We then make a determination on whether the joint-run model will be layered into this product, depending on whether the product satisfies our pre-set criteria and demonstrate the potential to generate organic traffic by leveraging resources from the collaborating distribution channel. We believe that utilization of both the self-run and the joint-run model in marketing a game product not only captures the digital market trend, but creates synergies in strengthening our monetization capabilities. For more details, please see “— Operation Models of Our Online Game Publishing Business.”

Our full lifecycle online game publishing business enables our clients, particularly the game developers, to expand and solidify the end-user base, which, in turn, enhances the monetization capabilities of the game products we market and operate. To enhance the monetization potential and lifecycle of a game product effectively, we perform deep analytics to optimize end-user engagement and behavior.

In addition to game products, we also export our core capabilities to enabling marketing of online literature products.

Going forward, we believe our precision marketing, in-depth operation and brand development capabilities will solidify our competitive position at the nexus of the mobile game industry, creating persistent competitive advantages that contribute to our growth and our clients’ success.



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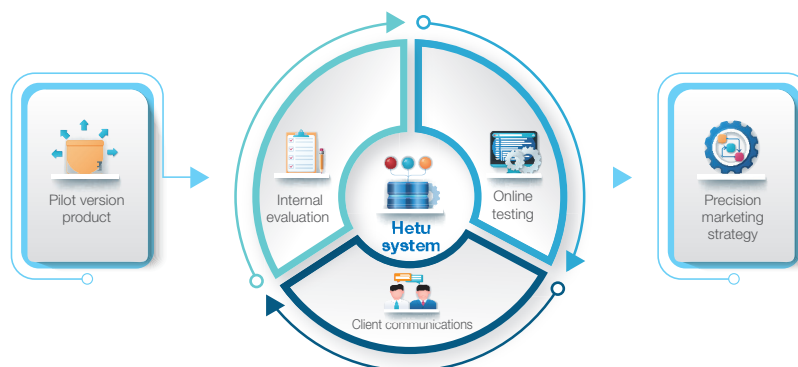
Service Flow of Our Online Game Publishing Business

The service process of our online game publishing business typically includes product evaluation, precision marketing, in-depth operation and brand development. This enables our clients, particularly the game developers, to increase and solidify the end-user base and enhance the monetization capabilities of the game products effectively. Our self-run model typically utilizes our internal resources to execute all the steps along this service process, depending on the particular needs of the product. Compared with the self-run model, our joint-run model leverages the collaborating distribution channels to achieve user acquisition, which in turn enhances the traffic monetization opportunities.

Game Product Evaluation

We believe our authentic and efficient product evaluation capabilities form the basis of our success and contribute to our continued growth. Game product evaluation, being the first and the most critical step in identifying products with the potential to realize a longer lifecycle. Our content department is mainly responsible for evaluating game products, developed by our clients based on our analysis and expectations of current and future market trends.

Our product evaluation process mainly focuses on three aspects: (i) performance evaluation, including product design, product functionality, in-game play experience, interactivity and the maturity and quality of the product in the pilot version; (ii) quantitative analysis, including game flow, payment rate analytics, churn rate analytics, interest point analytics, charging point analytics and milestone analytics; and (iii) online testing, which collects real-world feedbacks with a focus on whether the product performance meets our standards. The following chart sets forth our key steps in the product evaluation process.



Internal Evaluation

Our content department holds extensive industry experience in discovering and assessing suitable game products with potential for a longer lifecycle. During the Track Record Period, our content department had conducted internal evaluations of more than 300 game products. Our content department follows a set of standardized procedures in identifying and selecting potential game products to be marketed and operated. Typically, we request a game demo from

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the game developer to evaluate the competitiveness and monetization potential of the game product. Our content department typically assesses game demo based on its potential to be developed into an innovative game and provide players with better gameplay experience compared to existing games in the market. We also have a team of strategy analysts and game assessors within our content department, who are responsible for comparing and analyzing games available in the market, and predicting future market trends and end-users preferences. These evaluation results are used as a reference for online testing. Our content department plays an integral part in our internal procedures to better detect, prevent and mitigate IP infringement risks. First, before we enter into a collaboration agreement for a particular game product, our content department works closely with our legal department to look into background on the identity of the legal owner of the related IP associated with the game product. Second, the content department will report to the legal department any potential indicators of IP infringements during their internal evaluation of the key components of a game product. Third, the content department holds meetings with the legal department to discuss recent IP infringement incidents they discovered in game products operated by other publishers but within the same genre of potential game products we will market and operate. Fourth, as part of our efforts to formulate a stringent internal procedure, the approval of the content department is required for we launch a new game product.

Online Testing

We run pilot tests for the game products we market and operate to examine and forecast their penetration and monetization capabilities. Prior to launching, we employ a variety of testing procedures to estimate granular impacts on the product. Based on the testing data, we make judgments about the future acceptance and monetization of the product. The online testing procedures generally last for 15 to 30 days if the data generated from the pilot test can meet our key performance indicator requirements.

Our accumulated historical data generated from our service process and technology platform facilitates our intelligence analysis. In particular, we are able to identify and compare the performance of the potential commercially viable game products against the existing game products with similar features. This also allows us to better understand the key indicators of the potential products. Additionally, our technology platform reserves accumulated key indicators of various types of products which provide us with comprehensive analysis and prediction of end-use reactions. For example, our technology platform has accumulated a comprehensive historical key indicator library covering all mainstream game types on the market, which enables us to accurately analyze the key indicators of various types.

Client Communications

Based on the comprehensive results from the internal evaluation and online testing, we then proceed to collaborate with the qualified game product developer if its product has met our criteria. For the products that fail to pass our initial internal evaluation and online test but with potential for improvements, we will provide evaluation results, key performance indicators and optimization recommendations for their further amendments. We will consider initiating a new product evaluation process at a later stage for those products.

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Our reputation in the market enables us to select reputable game developers. Prior to entering into a framework service agreement to market and operate a particular game, we consider the criteria below when determining whether we should collaborate with a particular game product developer: (i) the experience of the game developer and the talents of the developer’s team; (ii) the developer’s track record for the delivery of games on time and within budget; (iii) historical sales performance of other games from the same game developer; (iv) the degree of likelihood that the target product can be developed on time and as envisioned; and (v) estimates of potential sales of the target product; (vi) whether the developer will be using technologies, such as game engines, with which the developer has successfully created games in the past; and (vii) the developer’s past releases on the platforms that the developer intends to use for the target product.

Precision Marketing

The overarching goal of our service process is to foster long-term end-users’ retention within our network through the implementation of a big-data model. The following flowchart illustrates the process of our precision marketing process:



Overall Marketing Strategy Development

Overall marketing strategy development involves the cooperation of multiple departments, including data department, operation department, marketing department and branding department. The development of overall marketing strategies mainly involves the following two steps:

- ***Tipping Point Formation.*** Based on our experience in precision digital marketing and end-user insights, we select the marketing tipping points of the game product considering its target user characteristics and IP introduction.
- ***Marketing Budget and Return Parameters Determination.*** We estimate the overall marketing budget and return parameters of the game product based on product evaluation. Our technology platform is able to calculate and gauge the best return estimate of a product based on key indicators. The best estimated return will be used as the core indicator throughout the whole marketing process. Our technology platform can also estimate the end-user engagement budget based on the product evaluation result.

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Specific Marketing Plan Development

Our marketing department will take the lead and work with the design, brand and operation team to design and develop a comprehensive marketing plan covering the full lifecycle of the game product based on our marketing budget. The development of a specific marketing plan involves:

- *Advertising Creatives Production.* We believe the end-user engagement lies at the center of advertisement creatives, which can adjust and optimize promptly to meet the preferences and browsing habits of a particular target user group. We are dedicated to offering a wide range of customized marketing materials for each game product. For online marketing, leveraging our big-data analytics and intelligence analytics capabilities, we are able to accurately identify the target user groups and create customized advertising materials to achieve precise end-user reach and engagement. For offline marketing, we prefer arranging multi-dimension offline marketing activities at featured landmarks with special events or festivals, such as hosting offline film-game integration sessions with game players, launching advertising campaigns at local trendy attractions and holding game role play shows with industry leading collaborating distribution channels. Our continuous offline promotion activities can deepen the impression of the game product and brand awareness in target user groups. We constantly optimize and adjust the advertisement creatives of each product. By designing and optimizing online and offline integrated advertisement creatives, we are able to continuously attract and retain high-value target user groups for our clients.
- *Selection of Collaborating Media Platforms.* Our collaboration network covers most of China’s leading online and offline media platforms. Our marketing and branding departments jointly determine the allocation of the end-user engagement budget and select suitable collaborating media platforms for each game product.
- *Celebrity Endorsement.* We are one of the first companies in the mobile game industry to engage celebrity endorsement for promotion and marketing. We have accumulated extensive experience in selecting suitable celebrity spokespersons. We have cooperated with more than 30 celebrity spokespersons to enhance brand development and marketing of game products. Leveraging our intelligence analytics capabilities, we choose spokespersons with fan groups similar to those that might be the target user groups of the marketed product. We have gradually expanded our selection of spokespersons to a variety of newly emerged influencers, including live streamers and video game commentators, among others. We believe our marketing model is in line with the latest industry trends and able to bring brand effect and fan effect in the marketing of the game product. Our Hetu (河圖) system can monitor and analyze the promotion effect of marketing materials of the spokesperson due to its ability to correlate events across multiple sources to discover patterns, identify trends and predict outcomes across millions of data to understand changes in end-user behavior as a result of the promotion efforts by the spokesperson, as well as the distribution effects generated from various distribution channels.

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Specific Marketing Plan Implementation

We have built extensive analytics capabilities and proprietary technology infrastructure to support data-driven marketing plan implementation. Our implementation of the marketing plan primarily focuses on the efficient acquisition of end-users. Our extensive technology infrastructure allows us to invest in marketing campaigns in a highly granular and data-driven way. Key features of our marketing plan implementation include the following:

- *Leveraging Brand Effect to Achieve User Acquisition.* The game products are primarily operated under our “Tan Wan” brand. Leveraging this widely accepted platform, we are able to attract large numbers of end-users for whom there is no direct marketing expense associated with our acquisition of those end-users.
- *Value-Driven Approach.* We apply rules-based processes based on estimated end-user lifetime value to our on-network marketing programs. The nature of the lifetime value is an estimated figure based on trend performance of the game product and a set of criteria including region, game and cohort (i.e., target end-user group). We frequently refresh these clusters and adjust them based on our acquisition strategies. This value-driven approach assists us in forming our marketing campaigns.
- *Systematic Multi-Channel User Acquisition.* We make substantial investments in end-user acquisition. As the game products we market are distributed on multiple devices, we deploy our campaigns across a wide mix of social and mobile channels. Leveraging the variety of data generated from cross-platform distribution, we believe we can deliver high returns for the games in long run as compared to our competitors on a single platform. Our data scale and channel diversification contribute to the economy of scale. We operate thousands of campaigns targeting hundreds of discrete clusters through a mix of channels and formats across multiple platforms, subject to the tailored product-specific target return parameters. We regularly monitor the results of our digital marketing campaigns.

With respect to online engagement implementation, we monitor and analyze key operation data of the game products we market and operate with our intelligent engagement platform. Leveraging our data analytics capabilities, we are able to evaluate the performance of our marketing campaigns effectively and further optimize our distribution strategies. We group our users based on their lifetime value and provide customized VIP services to high-value users. Leveraging our Luoshu (洛書) system, we are able to evaluate our marketing strategies through product-specific return parameters and reach and share distribution data in time, which enables us to update and optimize our online marketing materials on a daily basis to ensure their attractiveness to target users. As of April 30, 2023, we had established business partnerships with more than 220 collaborating online media platforms.

With respect to the offline engagement implementation, our branding department determines the advertisement type, timing and location of our offline marketing

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campaigns based on our marketing plan. We design and launch various offline marketing activities at different stages of a product to enhance the long-tail effect of our marketing strategies. For example, celebrity spokespersons for games can generate brand effects and fan effects in product promotion, thereby reducing the cost of attracting new users.

Full Life Cycle Operation Enhancement

We continue to strengthen our abilities to refine and optimize the full lifecycle operation to foster long-term end-users retention. We believe our full lifecycle operation enhancement capabilities set us apart from our competitors. Since our inception, we have enabled marketing and operation of 11 game products for more than five years and 28 game products for more than three years. Set forth below are the highlights of our full lifecycle operation enhancement capabilities.

- *Full Lifecycle In-depth Operation.* We provide in-depth operation for the game products we market and operate throughout their lifecycle. For example, we initially advise our clients on game product design, product optimization, launch schedules and promotion strategies based on online testing results. Prior to the official launch of a product, we provide game development feedback package for the next one to two months following its launch as to maintain the end-user freshness and increase end-user stickiness. Afterward, we also monitor system logs and user actions regularly and provide recommendations for product design, promotion strategies and end-user retention plans. Our marketing department works closely with our operation department and provides feedback to them from time to time during the product operation stage.
- *Proactive Full Lifecycle End-User Retention and Management.* In addition, our in-depth operation capabilities aim to address one of the common challenges for game developers, which is end-user churn. Our insights powered by machine learning and our big data analytics tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing end-user retention and engagement potential and resulting in a higher lifetime value. Our technology platform ingests and analyzes disparate parameters to generate views of behavior analysis, the likelihood of player churn and in-game purchase intent, which are then translated into marketing campaigns for highly targeted end-users across specific marketing channels we choose to integrate. Notably, our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings.

In addition, we maintain a comprehensive user management system. We provide one-on-one exclusive VIP services for high-value end-users (i.e. top up amount per year over RMB50,000) and are dedicated to solving issues for them in a more timely and efficient manner. We regularly communicate with end-users through multiple channels and collect user’s feedback to understand their expectations and improvements. Moreover, we create operation campaigns and hold certain offline events for VIP user

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groups (i.e. top up amount per year between RMB3,000 and RMB50,000) from time to time to encourage them to play, increase their willingness to pay and enhance their sense of belonging to the game products we market and operate.

We have adopted a comprehensive approach in effectively identifying and managing competition among the game products marketed and operated by us. First, none of the game products we market and operate is the same. Each game product we market and operate has gone through the internal evaluation by our content department, and we only select game products with different characteristics in terms of genre or sub-genre, game features, artistic designs, gaming strategies, user age-appropriateness, and competition from other similar game products. Accordingly, the expected level of competition with a game product’s niche is different. Second, we work with our clients to manage the game release date to manage the expected level of competition within the game’s product niche. The game entry decision is made based on our evaluation of the competition level of the specific niches in the online game market, including estimating the degree to which end-users may substitute across and within the different game products that fail in the same niche or sub-niche. Third, in the unlikely event that competition occurs among the game products we market and operate, we will work with our clients to consider inclusion of additional game features to attract end users of different groups to prolong the lifecycle of the game product.

Brand Development

Our brand development capabilities are two-fold. First, we distinguish ourselves from our competitors by providing tailored brand development solutions to our clients, in particular, developers of mobile game products. Our brand development capabilities have enabled us to enhance the brand awareness and penetration of game products and thus build a structured long-lasting IP or IP matrix. Second, benefitting from our continued success in end-user acquisition and retention, more end-users have begun to recognize our own brand. This, in turn, provides us with an opportunity to create and develop our own consumer product brands, such as the instant food brand established in late 2020 — “Zha Zha Hui.” We are working on cultivating our own brands across industries based on the latest consumer preferences and trends and with highly recognizable characters. For a detailed description of our capabilities to create and develop our home brands and contents, see “— Consumer Product Business.”

We believe a brand development strategy is a long-term plan designed to increase the value of a game product we market and operate and differentiate it from competitors and increase its impact among players. As a team, we start with the definition first by we defining what the game product is. To do this, we play the game as a whole team, from marketing to operations, and start to shape the answers to the questions in our minds by thinking like a player. The answers to all these questions are the cornerstones that will guide us to the next steps. In the competitive environment of the online game industry, we analyze the competitors in every detail, using the cornerstones we found at the beginning, to distinguish the game product we are working on from the others, and we aim to create a creative difference that will attract the attention of the players. For example, with this difference, we work with the game developer to create a key theme setup for the game product we market and operate that will appeal to the player. This theme aims to

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grab the attention of the players, so the popularity and lifecycle of the game product benefits from the emotional echo associated with the theme we set up, too.

Our typical brand development process for our clients’ game products involves the following key steps:

- *Brand development design thinking.* This phase involves brand development design thinking on the game product based on our dynamic data analysis on the preference of the target end-user group. Our design aims to address the needs and preferences based on user profiles generated through our extensive experience in the online game publishing business. In order to further reinforce the notion of user-driven brand development process, we also conduct online surveys during the product design thinking stage to better understand the demand and trends of the market.
- *Brand development strategy validation and readiness.* In this phase, we push to finalize the brand development strategy and run validation models to ensure everything makes sense. We evaluate whether the brand’s themes, visual settings and industry sector could address the preference of the target end-users. We adjust the brand development strategies from time to time with the goal of satisfying the needs of the target end-users with a wider range of product portfolios based on our algorithm-based data analysis results. Our brand development team supports our client in crafting a strong, long-lasting branding and IPs.
- *Media appearances, partnership drive and beta tests.* In this phase, we will be helping our client’s brand interact with the media, running beta tests with real end-users and securing branding partnerships for the brand and IP to discover any needs for iterations. During this phase, we will be exhibiting our brand development solutions through relevant platforms and running mini-pilots in different regions and channels to test brand acceptance.
- *Media and PR monitoring and evaluation, and brand scale planning.* In this phase, we will be doing media and PR activations as we monitor and evaluate the brand development strategy to plan for a potential branding scale strategy to build an expanded brand/IP matrix surrounding the related product we market.

Operation Models of Our Online Game Publishing Business

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game product we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. During the Track Record Period, the substantial majority of our revenue 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 online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

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Under the self-run model, we enable precision marketing, in-depth operation and brand development of the game products utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions. Under this model, we integrate all the components of our service flow for the particular game products we market and operate, and utilize our internal resources to execute all the steps along this service process, depending on the particular needs of the product.

Under the joint-run model, we leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game product. These collaborating distribution channels are mainly mobile application stores, through which we can further increase the coverage of end-users. In other words, we draw upon a portion of product distribution and end-user acquisition capabilities from external sources and channels, which also allow the end-users to experience the game product through such external channels on the mobile end.

For each game product we market, we conduct initial data model evaluation, revenue forecast calculation and the brand effect analysis. Acknowledging the industry-wide trajectory towards maximizing monetization opportunities of mobile traffic through self-operated platforms, we strategically utilize the self-run model to increase the exposure of the game products we market and operate to target end-users at the initial marketing stage. We then make a determination on whether the product is suitable to be layered into the joint-run model, which depends on whether the product satisfies our pre-set criteria and demonstrate the potential to generate organic traffic by leveraging resources from the collaborating distribution channel. We believe that utilization of both the self-run and the joint-run model in marketing a game product not only captures the digital market trend, but creates synergies in strengthening our monetization capabilities.

Other Marketing Business

In addition to game products, we also export our core capabilities to enabling distribution of online literature products during the Track Record Period.

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, the revenue generated from marketing online literature products amounted to RMB0.9 million, RMB32.3 million, RMB38.0 million, RMB16.5 million and RMB34.1 million, respectively. During the Track Record Period, the revenue generated from marketing online literature products accounted for less than 1.5% of our total revenue. During the four months ended April 30, 2023, we had 45 online literature products marketed by us. The following table sets forth the number of the online literature products marketed for the years/periods indicated.

	For the Year Ended December 31,			For the Four Months ended
	2020	2021	2022	April 30, 2023
Online literature products	5	26	33	45

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Our Game Product Portfolio

The game products developed by our clients and operated by us are delivered to players under the online game publishing brand “Tan Wan.” During the Track Record Period, our game product portfolio primarily consisted of games developed by developers of different sizes. The game products we market and operate are typically long-lasting in nature and are featured with fun and creative characteristics. In addition, we upgrade and release new features with customized elements targeting different end-user groups. By doing this, we are able to reach a broad and active player base and foster long-term end-users retention for game developers.

Since our inception, we have marketed and operated over 310 game products. As of April 30, 2023, we had 90 game products in operation. We expect the portfolio of the game products we market and operate to expand in the foreseeable future as we continue to develop and solidify business relationships with game developers.

The table below sets forth the number of the game products in operation, newly launched and terminated during the Track Record Period and up to the Latest Practicable Date.

	For the Year Ended December 31,			For the Four Months ended April 30,	Subsequent to April 30, 2023 and up to the Latest Practicable Date
	2020	2021	2022	2023	Date
Number of Games					
Total⁽¹⁾					
In operation at the beginning of the year/period	59	49	71	105	90
Newly launched	24	73	101	22	17
Terminated ⁽²⁾	34	51	67	37	14
In operation at the end of the year/period	49	71	105	90	93
Self-run model					
In operation at the beginning of the year/period	58	48	70	100	86
Newly launched	24	72	97	21	17
Terminated ⁽²⁾	34	50	67	35	16
In operation at the end of the year/period	48	70	100	86	87
Joint-run model					
In operation at the beginning of the year/period	23	22	33	52	48
Newly launched	6	19	24	5	12
Terminated ⁽²⁾	7	8	5	9	10
In operation at the end of the year/period	22	33	52	48	50

Notes:

(1) While a certain version of a game product can only be operated under a designated model (i.e. either self-run or joint-run), a game product’s different versions may be operated concurrently under the two different models. In practice, we typically assign an internal “version” number to each of the collaboration distribution channel through which the end user may access the game (for example, different application stores or other online

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distribution channels), so that we can distinguish and track the gross billings derived from the different channels through which the end users make their in-game virtual item purchases. As a result, the total number of games at a given time may be lower than the sum of games under the self-run model and those under the joint-run model.

- (2) Game products are terminated based on following criteria: (i) the lifecycle of a game product comes to an end; and (ii) the test data of a game product does not meet our standard.

As of the Latest Practicable Date, we had 93 game products in operation. As of the same date, the remaining useful life of the game products in operation ranged from less than one year to eight years.

In addition, we measure the performance of the game products we marketed and operated as a whole by the following key operating metrics: (i) average MAUs, (ii) average MPUs, (iii) average monthly ARPPU, (iv) retention rate of active users (“AUs”), (v) retention rate of paying users (“PUs”), (vi) conversion rate of PUs from AUs, (vii) gross profit, (viii) gross profit margin, (ix) acquisition cost per new user, (x) total cumulative registered players, and (xi) number of PUs. The following table sets forth these operating metrics during the Track Record Period.

	For the Year Ended December 31,			For the Four Months Ended
	2020	2021	2022	April 30, 2023
Average MAUs (in thousands)	5,093.2	7,165.8	10,003.2	9,404.0
Average MPUs (in thousands)	660.6	1,121.7	1,770.4	1,165.8
Average monthly ARPPU (RMB)	362.2	421.5	403.4	500.2
Retention rate of AUs ⁽¹⁾ (%)	7.5	10.1	8.1	5.4
Retention rate of PUs ⁽¹⁾ (%)	8.2	10.3	8.2	3.5
Conversion rate of PUs from AUs ⁽²⁾ (%)	13.0	15.7	17.7	12.4
Gross profit (RMB in thousands)	2,438,490	4,693,598	6,284,427	1,648,604
Gross profit margin (%)	84.9	82.7	73.4	67.3
Acquisition cost per new user ⁽³⁾ (RMB)	37.4	58.3	42.6	20.5

	As of December 31,			As of
	2020	2021	2022	April 30, 2023
Number of cumulative registered end-users ⁽⁴⁾ (in millions)	167.2	230.5	356.1	418.0
Number of PUs ⁽⁵⁾ (in millions)	4.9	9.6	15.2	3.5

Notes:

- (1) The retention rate of AUs or PUs is the percentage of the AUs or PUs we had in the previous calendar year or corresponding period that we continue to retain during the current calendar year or period, as applicable.
- (2) The conversion rate of PUs from AUs represents the ratio of MPUs to MAUs in a given period.
- (3) The acquisition cost per new user represented the marketing and promotion expenses incurred for acquiring a new game user for a game product we marketed and operated in a given period.

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- (4) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each period.
- (5) The number of PUs are calculated as of the end of each period.

During the Track Record Period, the fluctuation in our retention rates and churn rates (the latter calculated as 100% minus our retention rates for the respective year/period) were mainly affected by our marketing and promotion activities and the lifecycle stages of the game products in operation, among other factors. For example, our retention rate of AUs and PUs increased in 2021, and our churn rate decreased accordingly, primarily because we enhanced our advertising campaigns and marketing efforts towards the end of 2020 to promote our game products.

In addition, the table below sets forth details of the five game products that contributed the most to our revenue during the Track Record Period.

<u>Title</u>	<u>Description</u>	<u>Game Format</u>	<u>Source⁽¹⁾</u>	<u>Official Launch Date</u>	<u>Estimated Lifecycle Stage⁽³⁾⁽⁴⁾ as of April 30, 2023</u>	<u>Remaining Useful Life⁽³⁾ as of April 30, 2023</u>
Legend of Origin (原始傳奇)	An MMORPG game featuring attractive realistic scenes and magical arrays	Mobile	Licensed	June 2020	Maturity	5 years
Legend of Guyun (古雲傳奇)	An MMORPG game, featuring unique game gears and innovative gameplay which allows players to play three different roles	Mobile	Self-owned ⁽²⁾	July 2018	Maturity	3 years
Blooded Attack (熱血合擊)	An MMORPG game, focusing on the combined gameplay	Mobile	Licensed	March 2021	Maturity	3 years
Legend of National War (國戰傳奇)	An MMORPG game, featuring retro style and innovative gameplay	Mobile	Licensed	November 2021	Maturity	3.5 years
Blade of Freedom (自由之刃)	An MMORPG game, featuring exquisite graphics with real-time combat gameplay	Mobile	Licensed	April 2022	Growth	4 years

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Notes:

- (1) We are authorized by the related IP holder(s) of a licensed game product to market and operate such game product in China. We own the related IP rights associated with a self-owned game product.
- (2) We acquired the full ownership of Legend of Guyun (古雲傳奇) in January 2022. Prior to our acquisition of its full ownership, this game product had been marketed and operated by us pursuant to an authorization from then third-party game developer, Client A. Through arms-length negotiation with Client A, we acquired full ownership of Legend of Guyun at a consideration of RMB50.0 million, a price we believe to be reasonable based on a thorough internal assessment of the game’s commercial potential. We had also taken into account the ongoing IP infringement proceeding (Lawsuit C) to which the game was subject at the time of the acquisition. However, the monetary damages the plaintiffs in Lawsuit C are entitled to will likely not exceed RMB2.85 million, which are insignificant compared to the total consideration of the acquisition. For more details on Lawsuit C, see “— Legal Proceedings and Compliance — Legal Proceedings.”
- (3) Expected lifecycles (years) are estimated based on the industry average lifecycles by different genres of games, our past experience of operating similar games and gross billings generated by the relevant game as of April 30, 2023. We believe our estimations are accurate in the past and consistent with the industry practice. However, the actual lifecycles of these game products may differ from the time presented in the table.
- (4) According to Frost & Sullivan, game products generally experience three stages in their lifecycles, namely growth stage, maturity stage and recession stage. The growth stage refers to the period which the game publisher builds up an end-user base and achieves market coverage. The game product at maturity stage tends to generate revenue continuously and the number of end-users remain stable. The recession stage refers to the period which end-users and revenue generated by the game product starts to decline. For details, please see “Industry Overview — The Mobile Game Industry in China — Lifecycle and Industry Value Chain of Mobile Games.”

Case Study—Legend of Origin (原始傳奇)

Launched in June 2020, Legend of Origin (原始傳奇) is an MMORPG game. Players can enjoy adventures with their companions in the virtual game world and experience various playing methods. This game offers an attractive realistic scenes and magical arrays, which provides a delightful game experience and joy for our players. We have actively participated in the precision marketing, in-depth operation and brand development process for this game product. Some highlights of our enabling capabilities on this game product include the following:

- *Technology-led insights.* We empower Legend of Origin to target, connect and engage end-users through our machine learning algorithms that could deliver personalized marketing campaigns after adjusting the end-user acquisition cost. Our algorithms dynamically adjust the end-user acquisition cost based on a combination of the product-specific return parameter target and the predicted lifetime value of an end-user.
- *Data-centric rules-based approach.* We use a data-centric rules-based approach aimed at optimizing aggregate product-specific return parameter to retain end-users. We have predictive tools that automatically promote actions for Legend of Origin that will improve lifetime value of end-users through the personalization of content and monetization strategies. Our data-driven approach to user engagement continues to implement enhanced features to keep the game’s longevity and increase user stickiness.
- *Tailored end-user retention.* We pay particular attention to retention and content consumption rates to build and continuously strengthen the relationships with

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end-users. We take a proactive role in end-user retention in which machine learning and sophisticated client relationship management tools enable our clients to understand the behaviors of end-users within the game and to take action to improve user experiences. We encourage end-users to participate in the process of co-creation and engage in word-of-mouth promotion to attract potential users. Our customized end-user retention plan has not only emphasized the attractiveness of game products, but created the notion of brand awareness.

- *Product-specific operation enhancement.* We are proactively involved in game progression pace, in-game purchase bundles and difficulty setting work streams for Legend of Origin. At the initial stage of the launch of the game, we focused on creating popular topics on the collaborating media platforms and promoting the interests of end-users. Afterwards, we focused on maintaining and enhancing product awareness by engaging various celebrities and creating hot topics on the online social media platform, which in turn generated brand recognition and fan effects. In respect of offline marketing, we also market through a multi-scene distribution approach for wider user penetration. The combination of online and offline marketing allows the end-users to accumulate adequate enthusiasm, which in turn further enhances brand recognition. At the same time, we tailored and prepared a brand development plan and product enhancement suggestions based on user behavior analysis, aiming to create the brand effect and prolong the lifecycle of Legend of Origin.

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The following table sets forth the revenue recognition, key operating metrics and game developers of the five game products that contributed the most to our revenue in each year/period during the Track Record Period.

Top five game products	Revenue (RMB in thousands)	Average MAUs (in thousands)	Average MPU ^s (in thousands)	Average monthly ARPPU (RMB)	Retention rate of AU ^s (¹) (%)	Retention rate of PU ^s (¹) (%)	Conversion rate of PU ^s (²) (%)	Acquisition cost per new user ⁽³⁾ (RMB)	Number of cumulative registered end-users ⁽⁴⁾ (in millions)	Number of PU ^s (⁵) (in millions)	Game developer ^(†) /publisher ^(*)
For the year ended December 31, 2020											
Game A	1,480,019.4	2,307.8	319.5	386.0	6.6	7.0	13.8	50.6	44.0	2.3	Client A†
Game B	387,506.2	819.0	106.9	517.9	N/A	N/A	13.1	38.4	4.6	0.6	Client B†*
Game C	273,843.0	670.9	36.5	624.8	7.0	10.5	5.4	22.4	10.8	0.3	Client C†
Game D	168,717.0	834.3	208.5	115.6	N/A	N/A	25.0	—	4.2	1.0	Client E†*
Game E	148,603.6	286.7	31.7	391.1	9.0	6.6	11.0	0.3	7.6	0.3	Client D†
For the year ended December 31, 2021											
Game A	1,370,291.1	1,797.0	246.6	463.1	6.8	5.4	13.7	74.1	57.9	1.9	Client A†
Game F	1,243,747.0	1,292.5	284.5	437.2	N/A	N/A	22.0	71.6	9.9	2.3	Client B†*
Game B	1,047,618.8	1,009.6	129.4	674.4	10.8	14.6	12.8	26.0	12.3	1.0	Client B†*
Game G	813,804.5	923.0	174.4	388.9	N/A	N/A	18.9	82.7	8.7	1.7	Client C†
Game H	304,656.4	261.7	59.5	426.5	36.7	51.1	22.7	92.1	2.5	0.6	Client C†
For the year ended December 31, 2022											
Game I	1,547,625.7	2,045.2	463.5	371.0	N/A	N/A	22.7	83.9	15.7	4.4	Client F†
Game J	1,309,111.4	1,139.8	255.8	426.4	16.3	13.2	22.4	80.7	11.8	2.5	Client C†
Game A	1,145,595.1	1,054.3	153.1	623.5	6.2	5.5	14.5	31.2	63.5	0.7	Client A†
Game B	1,108,298.6	1,298.4	165.5	557.9	10.7	10.6	12.7	35.4	22.1	1.3	Client B†*
Game F	640,526.1	481.9	89.1	598.9	4.3	3.1	18.5	29.7	13.6	0.8	Client B†*
For the four months ended April 30, 2023											
Game B	386,313.3	1,673.2	148.2	651.5	9.3	5.1	8.9	28.9	26.2	0.4	Client B†*
Game I	343,110.8	945.6	114.3	750.4	0.8	0.3	12.1	35.1	18.5	0.3	Client F†
Game A	267,090.4	1,547.7	157.1	425.1	11.8	13.2	10.1	59.3	65.9	0.4	Client A†
Game K	199,686.3	401.0	86.5	577.2	3.9	1.8	21.6	126.6	5.7	0.3	Client C†
Game F	148,436.3	345.2	56.3	659.4	3.5	2.8	16.3	5.0	14.5	0.2	Client B†*

Notes:

- (1) The retention rate of AU^s or PU^s is the percentage of the AU^s or PU^s we had in the previous calendar year or corresponding period that we continue to retain during the current calendar year or period, as applicable.
- (2) The conversion rate of PU^s from AU^s represents the ratio of MPU^s to MAU^s in a given period.
- (3) The acquisition cost per new user represented the marketing and promotion expenses incurred for acquiring a new game user for a game product we marketed and operated in a given period.
- (4) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each period.
- (5) The number of PU^s are calculated as of the end of each period.

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Our Game Pipeline

We continue investing in improving our approach and expanding the portfolio of game products. As such, we have established a pipeline that we deem viable for future precision marketing, in-depth operation and brand development.

We expect to launch 30 to 50 new game products in 2023, including role-playing game (RPG), casual game and simulation game (SLG). Among the game products we expect to launch in 2023, we will continue to focus on the marketing and operation of RPG products based on our current market analysis. We also plan to expand the genres coverage of our game pipeline, including casual games and SLG, to identify and capture new market opportunities in the next few years.

We establish and expand our game portfolio based on the following measures: (i) we select game products based on our product evaluation process. See “—Our Online Game Publishing Business and Other Marketing Business—Service Flow of Our Online Game Publishing Business” for more details; (ii) we have built extensive analytics capabilities and proprietary technology infrastructure to support data-driven product implementation. It allows us to better assess the needs of our end-users, which in turn assists us to streamline the selection process for our product portfolio; and (iii) before including a game product in our portfolio, we closely review the experience of the game developer and the talents of the developer’s team, the developer’s track record for the delivery of games on time and within budget; historical sales performance of other games from the same game developer; the degree of likelihood that the target product can be developed on time and as envisioned; estimates of potential sales of the target product; whether the developer will be using technologies, such as game engines, with which the developer has created games in the past; the developer’s past releases on the platforms that the developer intends to use for the target product; and the extent of the developer’s existing social community and fan base, as well as the social community and fan base of any game franchise to which the target product will belong.

The table below sets forth the number of games in our game pipeline as of the dates indicated. The number of games in our game pipeline decreased in 2022 as we have decided to optimize our game portfolio by launching game products with better quality that we believe can attract and retain more end-users.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
Number of games in game pipeline	<u>85</u>	<u>83</u>	<u>65</u>	<u>70</u>

The following table sets forth certain information in relation to our game pipeline that we deem most important. We have selected the following product candidates based on our internal evaluation results, taking into account a variety of factors, including the estimated lifecycle, innovation of the gameplay, monetization potential, estimate payback period and estimated market reception of each product candidate. In particular, we anticipate each of the following

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product candidates to have an estimated lifecycle of over three to five years, with the potential to realize long-lasting effects. Leveraging our comprehensive historical key indicator library, we are able to give an internal estimate of the potential MAUs, MPUs and ARPPU for the commercially viable game products in our pipeline and do an internal comparison against each other.

Internal Product Code	Source	Format/Genres⁽¹⁾	Development stage as of the Latest Practicable Date⁽¹⁾	Expected launch date⁽¹⁾
New Game A	Licensed	Mobile/MMORPG	Game internal testing and optimization	2023Q3-Q4
New Game B	Licensed	Mobile/RPG	Game internal testing and optimization	2023Q3-Q4
New Game C	Licensed	Mobile/MMORPG	Game internal testing and optimization	2023Q4-2024Q1
New Game D	Licensed	Mobile/MMORPG	Game internal testing and optimization	2023Q4-2024Q1
New Game E	Licensed	Mobile/SLG	Game internal testing and optimization	2024Q1-Q2
New Game F	Licensed	Mobile/Card game	Game development	2024Q1-Q2
New Game G	Licensed	Mobile/Casual game	Game development	2024Q1-Q2
New Game H	Licensed	Mobile/MMORPG	Game development	2024Q2-Q3

Note:

(1) Our game pipeline is indicative as of the Latest Practicable Date. The format/genre, expected launch date, marketing and operation model and other information of each game in the pipeline may be subject to change according to their respective development status.

Massive Player Network and Loyal End-User Base

Our clients, primarily game developers, rely on us to leverage our expertise in monetization of online games and marketing analytics technologies to attract and retain end-users for the game products they develop. The online games developed by our clients marketed and operated by us are delivered to players under the “Tan Wan” brand, which serves as our marketing and operation engine that helps our end-users identify game products we publish for our game developer clients. Our “Tan Wan” brand has amassed and nurtured a vibrant community of players on various game products that we market and operate. As of April 30, 2023, the game products we marketed and operated under our “Tan Wan” brand had accumulated 418.0 million registered users.

We take the following measures to create and maintain a vibrant Tan Wan community for players.

First, as an important component of our strategy to elevate user experience, we pay particular attention to the needs of middle-aged adult players, who we believe represent a nostalgia-driven and brand-conscious group that acknowledges value from game products with potential for a longer lifecycle and poised to expand their purchasing power because of the superior user experience. We believe delighting our Tan Wan community players with a superior game experience represents a significant opportunity for us to retain and expand our user base.

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Second, we focus heavily on building long-term relationships with these players, and in particular on our ability to retain them over the long term. We have a track record of attracting our audience to new games and retaining them within our network. As an example of our success in attracting and retaining users, as of April 30, 2023, the game products we marketed and operated had accumulated 418.0 million registered users. Furthermore, for the four months ended April 30, 2023, we achieved an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated, and during the Track Record Period, the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB411.1. We aim to first attract players to download the game products we market and operate through our precision marketing efforts and attract new players through word-of-mouth promotion. Second, we work with game developers to develop games with features that will motivate players to make purchases within the game products we market and operate, and then finally to enhance the number of purchases made by our end-users. We believe the longevity of our end-user base is a result of our continued release of new levels and content, and cross-promotion. The longevity of our end-user base is highlighted by our ability to enable marketing and operation of 11 game products for more than five years and 28 game products for more than three years as of April 30, 2023, showing stickiness and dedication of our end-users. The longevity of our end-user base is also highlighted by our ability to achieve an average monthly active user (MAU) of 9.4 million for the game products we marketed and operated for the four months ended April 30, 2023, and the average monthly revenue per paying user (ARPPU) of RMB411.1 for all the game products we marketed and operated during the Track Record Period. To drive retention and cross-promotion, we use a data-centric, rule-based approach aimed at enhancing aggregate product-specific return parameters, regardless of content, channel or advertising format. This rule-based approach to drive user retention is a value-driven approach based on maximized end-user lifetime value to our on-network marketing programs. The nature of the end-user lifetime value is estimated based on our Hetu (河圖) and Luoshu (洛書) systems with assumptions and trend performance of the game product and a set of criteria including region, game and cohort (i.e., target end-user group). We frequently refresh these clusters and adjust them based on our acquisition strategies, and systemically review the effectiveness of our measures to optimize our end-user lifetime value. Our technology infrastructure allows us to actively manage and prioritize these communications to our audience in a way that increases the long-term value of our network.

Third, we highly value players’ feedback on the game products we market and operate. As early as the pilot testing stage, the testing data help us to verify the games’ designs, core gameplay, player experiences and overall commercial potential so that we can communicate with the third-party game developers, and adjust and optimize the development strategies in a timely manner. We also proactively seek players’ feedback on the game products we market and operate through organizing online and offline player activities to enhance players’ sense of belonging and identification with us. For example, we organize offline events for our players, including group games and communications between our players and our operation team.

Fourth, we attract players to our Tan Wan community through our various tailored precision marketing strategies, and we retain players by organizing activities and encouraging player interactions via our official accounts on various social media platforms. We have a dedicated operation team that manages the player community accounts and actively interacts

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with the community participants. Through the Tan Wan community, the players can receive from us latest information about the games we market and operate, including recent events we organize, opportunities to participate in testing the new games launched and free in-game virtual items. We also proactively seek players’ feedback on the games we market and operate and organize online and offline player activities to enhance players’ sense of belonging and identification with us.

The following table sets out a breakdown of the total number of paying users by top up amount (in terms of gross billings) during the Track Record Period.

Top up amount per year (RMB)	For the Year Ended December 31,						For the Four Months Ended April 30,			
	2020		2021		2022		2022		2023	
	Number of paying users (in thousands)	%	Number of paying users (in thousands)	%	Number of paying users (in thousands)	%	Number of paying users (in thousands)	%	Number of paying users (in thousands)	%
0-3,000	4,609.7	94.7%	9,219.8	96.3%	14,632.4	96.5%	5,317.6	96.3%	3,337.1	95.1%
3,000-50,000 (VIP users)	239.8	4.9%	332.5	3.5%	499.5	3.3%	192.2	3.5%	163.1	4.6%
Over 50,000 (High Value Users)	18.1	0.4%	25.1	0.3%	34.7	0.2%	9.7	0.2%	8.3	0.2%
Total	4,867.6	100.0%	9,577.4	100.0%	15,166.6	100.0%	5,519.4	100.0%	3,508.6	100.0%

Note: The above total number of paying users represents paying users who have made at least one purchase in our game products during the respective year/period. A user who makes more than one purchase in such year/period in the same game is counted once only.

The following table sets out the breakdown of the gross billings contributed from our top 1%, 3%, 5%, 10%, 20% and 50% paying users (by gross billings amount) during the Track Record Period.

Top paying user group	Number of paying users (in thousands)	Average gross billings (RMB)	Range of gross billings (RMB)	Total gross billings of this group (RMB'000)	Percentage in the total gross billings of our Group
For the year ended December 31, 2020					
1%	48.7	63,814.2	>22,100	3,106,410.8	55.4%
3%	146.0	29,117.7	>6,589	4,252,029.0	75.8%
5%	243.4	19,325.2	>3,280	4,704,612.2	83.9%
10%	487.0	10,611.0	>1,092	5,167,513.5	92.2%
20%	973.6	5,587.8	>263	5,440,029.1	97.0%
50%	2,471.6	2,259.0	>30	5,583,365.1	99.6%
For the year ended December 31, 2021					
1%	95.8	51,432.8	>15,290	4,926,589.4	60.2%
3%	287.3	22,424.8	>4,190	6,443,539.3	78.7%
5%	479.0	14,595.1	>2,010	6,991,059.4	85.4%
10%	958.7	7,874.4	>676	7,549,125.0	92.2%
20%	1,949.3	4,054.5	>200	7,903,313.0	96.5%
50%	4,872.0	1,671.6	>30	8,143,822.9	99.4%

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Top paying user group	Number of paying users (in thousands)	Average gross billings (RMB)	Range of gross billings (RMB)	Total gross billings of this group (RMB'000)	Percentage in the total gross billings of our Group
<i>For the year ended December 31, 2022</i>					
1%	148.2	46,123.8	>13,238	6,834,165.6	60.1%
3%	444.5	19,935.8	>3,642	8,860,766.2	77.9%
5%	741.1	12,965.5	>1,760	9,608,152.1	84.5%
10%	1,481.8	7,000.1	>626	10,372,484.6	91.2%
20%	2,971.7	3,670.3	>202	10,907,164.7	95.9%
50%	7,883.5	1,433.4	>30	11,300,489.9	99.4%
<i>For the four months ended April 30, 2023</i>					
1%	35.1	45,116.2	>16,484	1,583,261.3	49.8%
3%	105.3	21,212.4	>5,486	2,233,093.9	70.3%
5%	175.4	14,322.7	>2,915	2,512,606.6	79.1%
10%	350.9	8,031.8	>1,046	2,818,227.5	88.7%
20%	702.5	4,299.5	>314	3,020,315.3	95.1%
50%	1,778.3	1,774.0	>38	3,154,853.4	99.3%

We have adopted a comprehensive approach in effectively mitigating revenue concentration from a small number of paying end-users. First, we ensure that the game products we market and operate is diversified across various metrics, resulting in a different user base for each particular game product. Each game product we market and operate has gone through the internal evaluation by our content department, and we only select game products with different characteristics in terms of genre or sub-genre, game features, artistic designs, gaming strategies, user age-appropriateness, and competition from other similar game products. Accordingly, the expected level of paying user concentration is low. Second, our in-depth operation capabilities aim to address end-user churn and facilitate a more diversified end-user base. Our insights powered by machine learning and our big data analytics tools enable our clients to create, optimize and deliver personalized experiences for their end-users, increasing end-user retention and engagement potential and resulting in a more diversified user base and higher lifetime value. Our technology platform ingests and analyzes disparate parameters to generate views of behavior analysis, the likelihood of player churn and in-game purchase intent, which are then translated into marketing campaigns for highly targeted end-users across specific marketing channels we choose to integrate. Notably, our technology system allows us to optimize end-user retention based on a combination of game designs, such as game progression speed, in-game purchase bundles and difficulty settings, enabling us to create a more diversified end-user base. Third, we from time to time proactively solicit feedback on gaming experience with existing end-user users and take their changing needs into consideration when selecting, marketing and operating new game products. Fourth, we continually try to expand the end-user base by conducting marketing campaigns of the game products we operate through different channels and in different geographic locations.

Summary of Key Terms of Framework Service Agreements With Our Clients

We typically enter into framework service agreements with our clients addressing matters such as service scope, exclusivity, joint operations or marketing and promotion arrangements. Set forth below is a summary of the key terms of the framework service agreements with game developer clients.

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Framework Service Agreements with Our Clients

- *Service Scope.* The services we provide include our offerings of precision marketing, in-depth operation and/or brand development to the game products, as applicable, by utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions under the self-run model, or by leveraging the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources under the joint-run model. We may choose either the self-run model or the joint-run model based on the particular needs of the game products. The service details under the joint-run model are further elaborated in our agreements with the collaborating distribution channels. We are authorized to use the name, trademark and components of the game product for marketing and operation purposes.
- *Exclusivity.* We may have the exclusive right to conduct marketing and operations for the target product in the specified regions, depending on the outcome of a specific business negotiation.
- *Term.* The term for our services is generally three years after the relevant game product’s commercial operation subject to automatically renewal till the end of the lifecycle of the relevant game product.
- *Pricing.* We typically charge the client a service fee as a percentage of the gross billings from in-game purchases of the product by end-users. See “—Our Pricing Policy—Pricing Policy for Online Game Publishing Business and Other Marketing Business” for a detailed description of the differences in pricing between the self-run model and the joint-run model.
- *Rights and obligations.* We are primarily responsible for marketing, promotion and operation of the marketed product, which primarily includes establishing distribution, marketing and payment channels under the self-run model, or leveraging the user bases, marketing resources and technology platforms with our collaborating distribution channels under the joint-run model, to formulate operations and marketing strategies.

Our client (game developer) is responsible for developing the game product and obtaining all necessary licenses, permits and approvals for operating the relevant product, including but not limited to the copyright license, trademark license and game publishing permits. Our client is also responsible for technical maintenance of the game products to ensure the game product is free from serious program errors and providing technical support for end-users to download the game product.

- *IP rights.* We require our client to maintain all requisite IP rights to avoid potential infringement of third-party IP rights. We may be authorized to register trademarks or other forms of IP rights in the specified regions to facilitate the marketing of the product. The client shall ensure it is either the owner of the relevant IPs or the

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authorized licensee of the related IP rights. Besides, the client shall ensure the game product is in compliance with applicable PRC laws and regulations and we are entitled to indemnity.

- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party.

Summary of Key Terms of Collaboration Agreements with Our Suppliers

Third-party payment channels

The payment channels that we collaborate with are primarily major third-party online payment channels, such as Weixin Pay, Alipay and UnionPay.

- *Non-exclusivity.* Our cooperation with the third-party payment channels are on non-exclusive basis.
- *Term.* The term of the agreements is typically one year and can be automatically renewed.
- *Principal Rights and Obligations of Parties Involved.* The third-party payment channels are responsible for providing charging, withdrawal, transferring and paying services between the end-users and us.
- *Pricing.* The third-party payment channels charge us service fees as a percentage of the gross billings between the end-users and us. The percentage is determined based on our bargaining power with the payment channel.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party. Occasionally, third-party payment channels may terminate the agreement when fundamental breach by us occurs and persists for a specified period of time.

Collaborating distribution channels

The distribution channels act as agents to deliver the game products operated under the joint-run model.

- *Service Scope.* We leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect the game product with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game product.
- *Non-exclusivity.* Our cooperation with the distribution platforms are on a non-exclusive basis.

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- *Term.* The term of the agreements typically ranges between three months to three years subject to automatically renewal till the end of the lifecycle of the relevant game product.
- *Principal Rights and Obligations of Parties Involved.* Third-party distribution channels are required to distribute, and/or promote and advertise the game product on their respective platforms. We are responsible for working with the game developer to ensure technical support and customer services.
- *Revenue sharing and platform service fees.* The distribution platforms typically charge us a percentage of the gross billings. The fees are determined based on the specific game product and/or our bargaining power with the distribution channel.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party.

Collaborating media platforms/advertising agencies

- *Non-exclusivity.* Our cooperation with media platforms/advertising agencies are on a non-exclusive basis.
- *Principal Rights and Obligations of Parties Involved.* We are required to provide marketing and promoting information and materials. Such information and materials shall be in compliance with the relevant rules and regulations of the media platforms/advertising agencies. The collaborating media platforms/advertising agencies are responsible for providing marketing and promotions services based on the materials provided by us.
- *Pricing.* The services provided by collaborating media platforms/advertising agencies are charged as a fee package based on the specific marketing and promoting activities and/or our bargaining power with the media platforms/advertising agencies.
- *Termination.* Either party may terminate the agreement in the event of a material breach of contract by the other party.

Impact of Market Outlook on Mobile Game Industry

Despite that the global mobile game market decreased by 3.2% in terms of user-spending in 2022 as compared to 2021, its market size is expected to grow at a CAGR of 4.8% from 2022 to 2027. According to Frost & Sullivan, the decline in the market size of global mobile game market in 2022 will not have material impacts on such market in the long run for the following reasons.

First, the global mobile game market is expected to return to normal and sustainable growth rate based on pre-pandemic forecast, although the implementation of restrictive measures in

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response to the COVID-19 outbreak from 2020 to 2021 limited peoples’ outdoor entertainment activities and mobile games become the preferred choice as they can be played without physical interaction. Second, game products marketed and operated under the joint-run model increasingly rely on major online distribution channels (in particular major App stores) to generate traffic. Service fees charged by such distribution channels in turn increase the end-user acquisition cost for game developers and co-publishers, which to certain extent is expected to curb the revenue growth momentum of game products marketed and operated under the joint-run model in 2022. According to Frost & Sullivan, game products marketed and operated under the self-run model were unlikely to be affected by this outlook in 2022. Third, the current economic climate, especially inflation, limits people’s disposable income and price-sensitive mobile game users spend less during tougher economic times. However, the number of global players is still growing across the globe and gaming is now embedded in consumers’ lives.

In addition, our Directors are of the view that such market outlook would not have a material adverse impact our financial performance and business operations, based on the following reasons.

First, our financial performance during the Track Record Period were relatively robust. In 2020, 2021 and 2022, we generated a revenue of RMB2,872.4 million, RMB5,735.7 million and RMB8,817.2 million, respectively. Notably, our revenue increased by 99.7% from RMB2,872.4 million in 2020 to RMB5,735.7 million in 2021, and further increased by 53.7% from RMB5,735.7 million in 2021 to RMB8,817.2 million in 2022. Our revenue decreased by 14.0% from RMB2,846.7 million for the four months ended April 30, 2022 to RMB2,448.3 million for the four months ended April 30, 2023, primarily reflecting a decrease in revenue we generated from the online game publishing business and other marketing business under the self-run model mainly because certain game products entered into a later stage of their lifecycle. As of April 30, 2023, we had cash and cash equivalents of RMB399.3 million. We believe our liquidity is sufficient to navigate an extended period of uncertainty. Also, we believe our financial performance during these challenging times in the past three years is a proof that we will be able to navigate through 2022 and future times of uncertainty.

Second, compared with our competitors, we believe we have certain competitive strengths that will help us maintain a competitive edge and handle the market volatility. We believe the following elements contribute to our competitive edge over our competitors, enabling us to deal with market fluctuations: (i) our profound experience in precision marketing, in-depth operation and brand development to extend the monetization potential and lifecycle of a game product, particularly for a game product developed by a third-party; (ii) our large end-user base with long-term and comprehensive relationships partnership with game developers and major media platforms; (iii) our in-depth operation abilities navigating through the entire life journey of a game product, covering product evaluation, precision marketing, in-depth operation and brand development; (iv) our proprietary technology platforms that are capable of ingesting and analyzing disparate parameters to generate actionable insights, which are then translated into marketing campaigns for targeted end-users; and (v) our brand development capabilities of enhancing the brand awareness and penetration of game products. See “— Our Competitive Strengths” for a detailed description of our strengths over our competitors.

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Third, during the ordinary course of our business, we pay attention to effectively managing cost and operating expenses, in particular administrative expenses, and ensure that we retain substantial ability to manage our business growth and achieve an optimal balance between business expansion and operating efficiency. Leveraging our streamlined operations, our administrative expenses decreased significantly as a percentage of our total revenue since 2020.

Fourth, according to Frost & Sullivan, Web 3.0-based mobile game world is the trajectory of the mobile game industry, and Web 3.0 is currently reshaping the online game industry with new game features that make use of blockchains, cryptocurrencies, and non-fungible tokens (NFTs). To address these opportunities and ensure we remain at the forefront of the mobile game industry, we intend to increase our investments in R&D activities and pursuing strategic acquisitions. For example, we intend to allocate approximately 10.0%, or HK\$[REDACTED] of our [REDACTED] from the [REDACTED], to improve our technology capabilities, a portion of which is expected to spend on exploring technologies or technology partners with potential to develop Web 3.0-based game products. Therefore, our business strategy on this front is in line with the general trajectory of the mobile game industry.

Having (i) discussed with our Company’s management and Frost & Sullivan, (ii) reviewed our Board’s draft memorandum of profit forecast for the eight months ending December 31, 2023 and the proof of our Group’s products pipeline, including the full list of our Group’s products pipeline and the internal test reports of our Group’s pipeline game products, and (iii) conducted the background search through an independent background search agent on the PRC Operating Entities, where no material adverse findings with respect to the market outlook and its impact on the business operations and financial results of the Group were identified, the Joint Sponsors concur with our Directors’ view as set out above.

CONSUMER PRODUCT BUSINESS

The end-user insights we accumulate allow us to spot other needs of end-users. Our consumer product business currently focus on sales of instant food and pop culture-related merchandise empowered by the content we create or market, as highlighted by “Zha Zha Hui (渣渣灰)” and “Bro Kooli.” As exemplified by the launch of our instant food brand “Zha Zha Hui” in 2020, we continuously capture and analyze valuable end-user behavior and performance data in connection with the popular RPG game products we market and operate. Through our market research on consumer demographics, buying habits and purchase power, including data analysis based on in-app purchases, we have learned that the end-users of this game product share desirable characteristics with lovers of instant food among the younger generation. We also believe that the brand recognition we have achieved with the end-users of the game products we market and operate will help drive the advancement and penetration of our business in the instant food sector.

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our revenue generated from consumer product business amounted to nil, RMB30.3 million, RMB215.8 million, RMB35.5 million and RMB81.8 million, accounting for nil, 0.5%, 2.4%, 1.1% and 3.2% of our total revenue for the same years/periods, respectively. The following table sets forth a

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breakdown of revenue generated from consumer product business by nature for the years/periods indicated. Revenue from sales of pop toys under Bro Kooli accounted for an insignificant portion of the revenue from consumer product business during the Track Record Period.

	For the Year Ended			For the Four	
	December 31,			Months Ended	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
	(Unaudited)				
Instant Food under Zha Zha Hui	—	30,316	214,858	35,112	81,723
Pop Toys under Bro Kooli	—	12	900	428	95
Consumer Product Business	—	30,328	215,758	35,540	81,818

Zha Zha Hui (渣渣灰)

Benefiting from the end-user insights we accumulate, we continuously capture and analyze valuable end-user behavior and performance data. Based on our market analysis on e-commerce and social media platforms, we made a strategic decision to penetrate into the instant food industry. As such, our own brand “Zha Zha Hui” was established in late 2020. “Zha Zha Hui” is designed as an instant food brand with an emphasis on instant prepared rice noodles and primarily targets the instant food-centered pop culture, which is an expression of popular food culture containing the mass culture properties of the fast food restaurant phenomenon. The instant food-centered pop culture applies characteristics of pop art to instant food products. Zha Zha Hui primarily leverages multi-channel marketing strategies to sell our private-label and local-flavor rice noodle products and other fast consumer foods. With its slogan “嗦到之處皆開心”, Zha Zha Hui aims to create a delightful brand image to cultivate a flavored rice noodle-centered pop culture among the younger generation. We leverage our marketing capabilities to innovate traditional food brand marketing processes across the lifecycle of designing food flavors and categories, selling and servicing. According to Frost & Sullivan, “Zha Zha Hui” has become one of the fastest growing brands in the instant food industry in terms of GMV. The GMV of China’s instant food industry increased by approximately 4.5% from 2020 to 2021 and 6.1% from 2021 to 2022. Since launch of the Zha Zha Hui brand, GMV generated by this brand increased significantly from RMB2.4 million in 2020 to RMB87.6 million in 2021, and further increased to RMB315.9 million in 2022.

Notably, with Zha Zha Hui, we have built a multi-channel network to reach lovers of delightful fast consumer foods. In our efforts of branding and fast consumer food culture promotion, we have also established popular campaigns on collaborating media platforms. In particular, we leverage a diverse and growing pool of KOLs (key opinion leaders) in China’s fast consumer foods industry with a total of over 1.2 million followers on leading e-commerce platforms. During the Track Record Period, we cooperated with many KOLs and carried out a number of broadcasts to promote our Zha Zha Hui brand. Assisted by our high-quality rice noodle-themed content, such as mukbang, store discovery, cooking lessons and product evaluation of our instant food products through live-streams, short videos, blogs and other forms

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of online interactions with followers by the KOLs we engage, they have gained a large, vibrant and loyal fan base. The interactions between our KOLs and their fans enable them to learn more about Zha Zha Hui, as well as the fast consumer food pop culture in general, and we believe such interactions have strengthened the bonds between our KOLs and their fans, and thus significantly increased the likelihood of their fans becoming the target audience of Zha Zha Hui.

In addition to engaging consumers online, we are actively expanding our offline sales channels. Zha Zha Hui has been offered to more than 20 provinces in China, through approximately 210 distribution channels with approximately 19,500 offline stores.

We have put in place a standardized and strict standard operating procedures (“SOP”), covering raw material supplier selection, producer selection, warehousing, shipping and delivery. All personnel within our consumer product business follow the SOP in their procurement, sourcing and supply chain activities.

Procurement. We adopt a centralized procurement policy under which our procurement department is responsible for working with third-party food manufacturers to purchase and monitor the purchase of the food ingredients and packaging materials from a list of authorized suppliers for Zha Zha Hui. We carefully consider factors such as price, quality, business scale, reputation and history of compliance with applicable laws and regulations before engaging them.

Production. We engaged reliable third-party food manufacturers for the production of our “Zha Zha Hui” instant rice noodle during the Track Record Period. We carefully consider factors such as price, quality, production capacity, business scale, reputation and history of compliance with applicable laws and regulations before engaging them. We manage and monitor the performance of these third-party manufacturers and require them to comply with our internal production guidelines and policies.

Distribution. We distribute Zha Zha Hui through both online and offline channels. Under our online sales model, we sell Zha Zha Hui directly to consumers via third-party e-commerce or media platforms. To complement our online channels, we also sell Zha Zha Hui through approximately 210 distribution channels with approximately 19,500 offline stores. We currently use third-party national and regional logistics providers for inventory and delivery. We work with them to manage the supply chain from inventory management to order fulfillment.

Food Safety Control. We have implemented stringent food safety and quality control measures to ensure the safety and quality of our food offerings are satisfactory. Our quality control measures cover different aspects of our operation, including procurement, production and storage. Our quality assurance team is responsible for establishing and overseeing our quality control measures.

We are dedicated to enhancing our Zha Zha Hui brand through expanding our instant food products categories. First, we strive to expand our instant food product offerings in different consumption scenarios and to continuously introduce new product categories. In particular, we will further optimize the consumption experience of our Zha Zha Hui series by introducing new

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flavors, upgrading packaging designs and enriching the nutrition value, so as to attract more customers; Second, we will further devote our efforts to enhance our brand recognition by establishing innovative and popular marketing campaigns to promote the instant food culture and creating connections with the game products we market and operate to enhance brand recognition. Third, we plan to exploit technologies such as big data, artificial intelligence, industrial internet and real-time computing to better understand the purchase behavior of our end-users, which in turn to further enhance our operating efficiency and management capabilities.

We expect our revenue generated from sales under the Zha Zha Hui brand will increase in the future. First, according to Frost & Sullivan, the instant food industry in China is expected to grow rapidly with a CAGR of 3.1% from 2022 to 2027. More consumers are attracted by the simplified cooking feature of instant food. Second, “Zha Zha Hui” has become one of the fastest growing brands in the instant food industry in terms of GMV, according to Frost & Sullivan. We believe our strengthened brand awareness will contribute to the increase of sales of our instant food products.

Bro Kooli

Launched in late 2021, Bro Kooli is our self-created IP dedicated to promoting pop toy culture. We believe our overall brand awareness, industry-leading position and marketing capabilities in the digital entertainment industry enable us to attract and build a fast-growing, young and passionate fan base for our Bro Kooli pop toy IP through organic discovery and virality. Our in-house design and marketing team work together on the promotion plan for the pop toys impersonated by Bro Kooli. We have developed a series of blind box products based on broccoli. Our blind box products typically are closed, opaque small boxes with the same exterior packaging and built-in dolls of different styles, i.e., Bro Kooli dolls. This series of blind box products has a unique theme and generally contains more than 12 different designs, including a specially designed “hidden edition,” increasing the fun as well as attracting repeat purchases.

We create and attribute characteristic backgrounds for Bro Kooli to establish emotional connections with individual consumers. Our Bro Kooli features distinct designs and aesthetics, making it good fit for display and create a notion of self-expression and individuality with consumers. The pop toys created under Bro Kooli express an attitude of joy and optimism, which we believe could relate to the end-consumers. As such, we believe the embodiment of contents and artistic expression of the pop toys created under Bro Kooli establish a positive emotional connection with individual consumers.

We have adopted a flexible multi-channel strategy in connection with the supply chain management of our pop toy products.

Procurement. We adopt a centralized procurement policy under which our procurement department is responsible for working with third-party toy manufacturers to purchase and monitor the purchase of the raw materials and packaging materials from a list of authorized suppliers for Bro Kooli. We carefully consider factors such as price, quality, business scale, reputation and history of compliance with applicable laws and regulations before engaging them.

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Production. We engage reliable third-party manufacturers that specialize in the manufacture of toy products. We select third-party manufacturers based on factors such as quality, capacity, price, years of operation, reputation and history of compliance with applicable laws and regulations before engaging them. Most of our third-party manufacturers have extensive industry experience and cooperate with other major toy brands in China.

Distribution. We have adopted a multi-channel strategy to market our pop toy products which enable us to further enhance our brand recognition and reach a wider fan base. Under our online sales model, we sell our pop toy products directly to consumers via third-party collaborating media platforms. Under the offline sales channel, we work with local malls and business partners to promote sales.

Product Quality Control. The products delivered by the third party manufacturers as well as the raw materials for our pop toy products shall meet the applicable laws, regulations and national and industry standards. Upon delivery of the final products, we are entitled to assign our quality control staff to the manufacturer for onsite sampling check and inspection.

We are dedicated to enhance our Bro Kooli brand through broadening our pop toy product offerings. First, we will continue to enhance our brand awareness to attract more artists to partner with our platform, which enable us to develop and launch more categories of pop toy products. Second, we plan to establish our in-house pop toy design department to enhance our in-house IP development capabilities. Third, in order to attract new pop toy fans and increase their stickiness, we plan to strengthen our marketing efforts to enhance brand influence. For example, we plan to attract fans through the pop toy conventions, autograph sessions, exhibits and other promotional activities.

We expect our revenue from sales of pop toy products under Bro Kooli will increase in the future. First, according to Frost & Sullivan, the pop toy market will increase significantly along with the increase of disposable income. Second, we believe our marketing and branding plans in consumer product business will enhance our brand exposure, which we believe will contribute to the increase of sales of pop toy products under Bro Kooli.

OUR PRICING POLICY

Pricing Policy for Online Game Publishing Business and Other Marketing Business

Online Game Publishing Business

Under each of the self-run model and the joint-run model, so long as we market and operate a game product pursuant to a business arrangement under which the related game developer or publisher authorizes us to conduct marketing and operation, as applicable, we consider such game developer or publisher as our client and regard ourselves as the agent of such game developer or publisher in dealing with the end-users of the game product.

In exchange for our provision of the related services, we charge the client (game developer or publisher) a service fee as a percentage of the gross amounts that the end-users pay for the

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purchase of the virtual items in the game. We recognize the service revenue on a net basis which equals to the gross amounts collected from the end-users less the amounts shared by the game developer or publisher when the end-users pay for purchase of the in-game virtual items and when such amounts are determinable. Under each model, we generally determine the service fee based on features and estimated commercial value of the product and the business arrangements between the game developer or publisher client and us, such as the service scope and exclusivity. In addition, under certain agreements with the game developer, we are entitled to additional bonus based on the actual marketing performance. Revenue from such additional bonus is recognized when the amount is determined and confirmed by the game developer. During the Track Record Period, we were entitled to additional bonus from one game publisher client, Zhejiang Zhengyou for the provision of marketing and operation supporting services for eight game products. The additional bonus we are entitled to receive typically ranges from mid-single-digit to low-double-digit percentage of the total advertising fee we advance on behalf of the game publisher and determined on a product-by-product basis. In 2020, we received RMB31.7 million in additional bonus from Zhejiang Zhengyou. See also “ — Our Business Model — How Our Business Generates Revenue” and “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

Under the self-run model for marketing and operating game products authorized by third-party game developers, the service fee we were entitled to receive as a percentage of the total gross billings generally ranged between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. The remaining gross billings typically go to game developer clients. Under the self-run model for marketing and operating self-owned game product, we are entitled to receive the total gross billings as our fee. Under the self-run model, we also provide marketing and operation support services to third-party game publishers. We charge these game publishers a service fee based on a certain percentage of the gross billings that end-users pay for in-game virtual items, which generally ranged between 5% and 15% during the Track Record Period, with an average service fee of approximately 12%.

Under the joint-run model for marketing and operating game products authorized by third-party game developers, the service fee we were entitled to receive as a percentage of the total gross billings was generally in line with that under the self-run model, i.e., ranging between 60% and 94% during the Track Record Period, with an average service fee of approximately 82%. Pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 92% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, the service fee we were entitled to receive (excluding the portion our game developer clients are entitled to) as a percentage of the total gross billings generally ranged between 2% and 42% during the Track Record Period, with an average service fee of approximately 20%. Under the joint-run model for marketing and operating our self-owned game product, pursuant to our business arrangements with collaborating distribution channels, the percentage of gross billings withheld by and attributable to them generally ranged between 40% and 94% of the total gross billings during the Track Record Period. After the collaborating distribution channels deduct the agreed-upon portion they were entitled to, we were entitled to receive a percentage of the total gross billings generally

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ranged between 6% and 60% during the Track Record Period, with an average service fee of approximately 11%.

The gross profit for game products operated under the self-run model was RMB2,312.4 million, RMB4,458.5 million, RMB5,896.5 million, RMB1,941.4 million and RMB1,424.9 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit for game products operated under the joint-run model was RMB126.1 million, RMB235.1 million, RMB387.9 million, RMB134.5 million and RMB159.2 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

The gross profit margin for game products operated under the self-run model remained relatively stable at 95.6%, 94.9%, 95.4%, 95.1% and 93.9% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively; and the gross profit margin for game products operated under the joint-run model was 27.8%, 24.1%, 16.3%, 17.8% and 19.5% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

The key differences between the two models in profitability are due to the following:

- Under the self-run model, we conduct marketing and payment channel operation and/or brand development on our own, and we are responsible for identifying, contracting with the payment channels and the collaborating media platforms/advertising agencies or payment processing on behalf of game developer clients if needed. Therefore, commissions paid to the payment channels and the marketing fees calculated based on pay-to-sale are included in cost of sales.
- Under the joint-run model, we involve collaborating distribution channels to serve as both an end-user acquisition channel and our strategic partner to joint-run the authorized game products. A portion of the gross amounts paid by the end-users are withheld directly by the collaborating distribution channels (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution channels. We record the amount withheld by the collaborating distribution channels under the joint-run model as part of the cost of sales.

During the Track Record Period, in addition to marketing and operating game products authorized by third-party game developers, we also operated Legend of Guyun (古雲傳奇), in which we have had a full ownership since January 2022. Prior to our acquisition of its full ownership, this game product had been marketed and operated by us pursuant to an authorization from the then-third party game developer. Since our acquisition of the full ownership of this game product, we have been solely responsible for the game product development, maintenance, price setting and game server, and we consider ourselves as the principal of the game product and the end-users as the customers. We are obligated to provide on-going services to the end-users who make payments to gain an enhanced game-playing experience over the playing period, and accordingly we recognized the revenue ratably over the estimated average playing period of these paying end-users (“Player Relation Period”), starting from the point in time when the purchase of in-game virtual items is made, and all the other revenue recognition criteria are met. We estimate the Player Relation Period of a game based on historical data statistics of the paying players and reassess such period semi-annually.

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Pricing Policy for Other Marketing Business

We also provide marketing services for developers of non-gaming applications (mainly online literature products). We consider the third-party literature content providers as our customer and ourselves as an agent in the arrangement with both the third-party content providers and the online literature readers. We charge the client (content provider) a service fee as a percentage (generally ranged between 85% and 95%) of the gross amounts that the online literature readers pay for the subscription of the online literature product. We recognize the service revenue on a net basis which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable. We generally determine the service fee based on features and estimated commercial value of the online literature product and the business arrangements between the content provider and us.

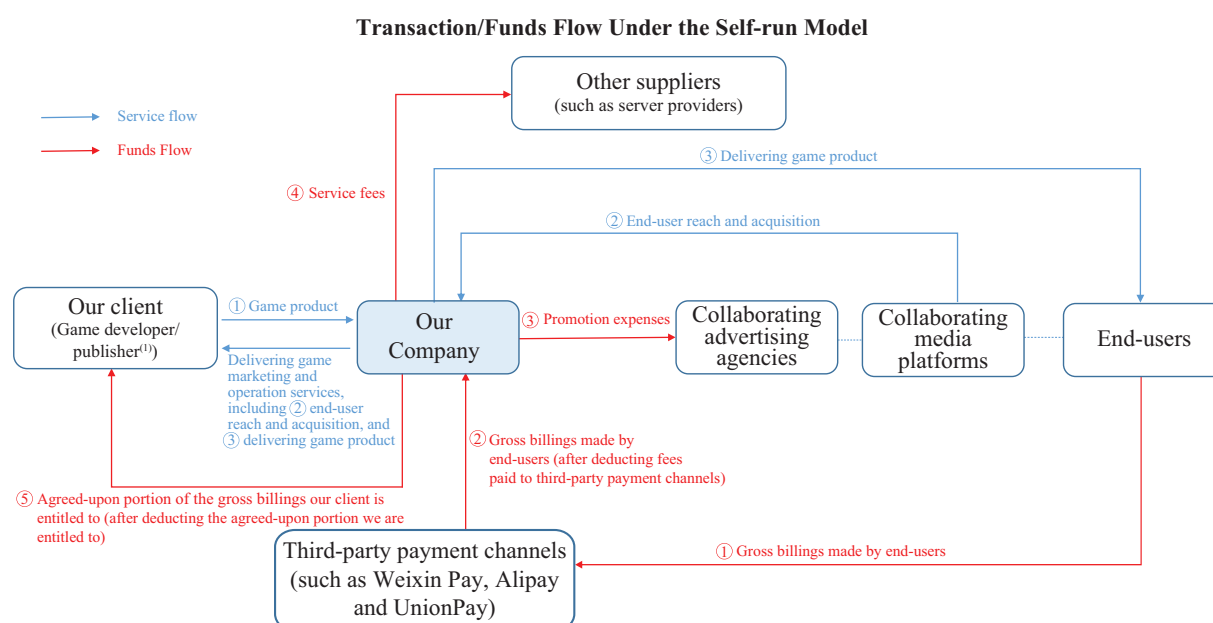
Pricing Policy for Consumer Product Business

We sell rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” to the end consumers over third-party online retail platforms and to the distributors. Revenue from the sale of such consumer products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt and acceptance of products. We generally determine the selling price based on the cost of procurement and production and our arrangement with third-party online retail platforms or local distributors.

SUMMARY OF TRANSACTION/FUNDS FLOW OF OUR BUSINESS

Transaction/Funds Flow of Online Game Publishing Business and Other Marketing Business

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business and other marketing business under the self-run model:



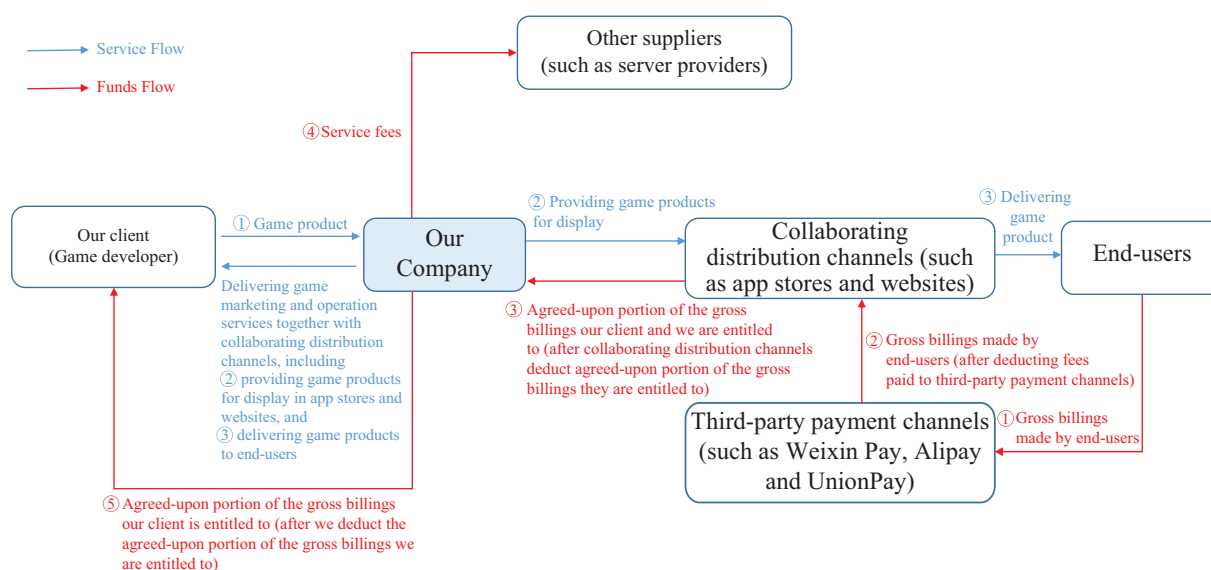
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Note:

- (1) We provide marketing and operation support services to third-party game publishers for which we charge a service fee. We collect gross billings paid by end-users (after deducting fees paid to third-party payment channels) on behalf of such game publishers and charge service fees based on a certain percentage of the gross billings. During the Track Record Period, revenue generated from collaboration with game publishers, namely Zhejiang Zhengyou and Shangrao Xinxin, amounted to RMB255.6 million, RMB98.7 million, RMB85.6 million, RMB29.0 million and RMB28.0 million, respectively. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, revenue generated from our collaboration with Zhejiang Zhengyou as a game publisher client was RMB86.9 million, RMB4.3 million, nil, nil and nil, respectively. During the same years/periods, revenue generated from our collaboration with Shangrao Xinxin as a game publisher client was RMB168.7 million, RMB94.4 million, RMB85.6 million, RMB29.0 million and RMB28.0 million, respectively. See also “— Our Business Model — How Our Business Generates Revenue” and “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities — Other Payables and Accruals.”

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business and other marketing business under the joint-run model:

Transaction/Funds Flow Under the Joint-run Model

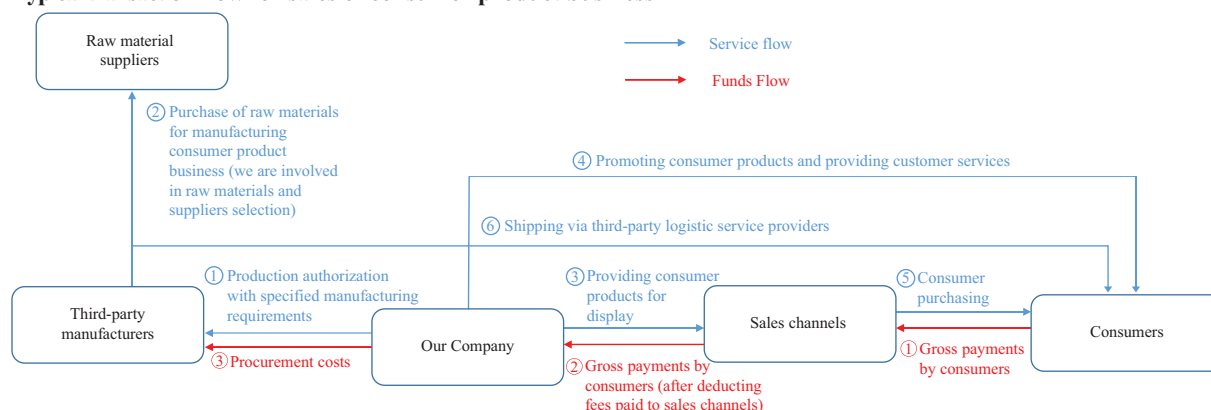


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Transaction/Funds Flow of Consumer Product Business

Set forth below is a diagram illustrating a typical transaction/funds flow of our consumer product business:

Typical transaction flow for sales of consumer product business



OUR WORKING CAPITAL CYCLE MANAGEMENT

We carefully manage our working capital cycle to ensure that we operate efficiently. In particular, we monitor and use our current assets and liabilities to their effective use.

Our Company’s typical working capital cycle works in the following order:

- Under the self-run model, we receive payment from end-users via third party payment channels. We typically withdraw these payments on a daily basis.
- Under the joint-run model, we receive from the collaborating distribution channels the agreed-upon portion of the gross amounts paid by the end-users, after the collaborating distribution channels directly withhold a portion of the gross amounts paid by the end-users pursuant to the business arrangement with such collaborating distribution channels. Our trading terms with our collaborating distribution channels are mainly on credit. The credit period generally ranges from 30 days to 90 days.
- In terms of marketing and promotion expenses, we incur other payables to collaborating media platforms/advertising agencies in connection with the end-user acquisition activities and other marketing activities for a game product we market, publish and operate for a game developer. The collaborating media platforms/advertising agencies generally grant us a credit period ranging from 30 days to 90 days.
- In terms of payments to game developers, we generally pay the agreed-upon revenue sharing our client is entitled to (after deducting the agreed-upon portion we are entitled

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to). The game developers generally grant us a credit period ranging from 90 days to 120 days.

- We generally settle the aforementioned payables by cash or bills.

OUR TECHNOLOGY CAPABILITIES

We have developed our own proprietary technology platforms, as highlighted by our intelligent engagement platform — the Luoshu (洛書) system, and our proprietary business intelligence analytics system — the Hetu (河圖) system. Each system is an efficient and integrated high-throughput and low-latency system that collects data, builds behavior models, predicts intents, suggests the next best action, engages through digital channels and provides a high level of measurement. We had accumulated more than 120.9 billion machine learning training sets through our technology platforms as of April 30, 2023. Moreover, our technology system is scalable to ensure the reliability, integrity, performance and security of the data we collect, enabling us to deliver games to millions of players simultaneously with high levels of performance and reliability.

Intelligent End-User Engagement Platform — Luoshu (洛書) System

We have achieved centralized management of various collaborating media platforms through our intelligent end-user engagement platform, the Luoshu (洛書) system, which in turn enhanced the efficiency for placement. It allows us to address various marketing demands of the game products we marketed and operated to enhance end-user coverage with minimized human operations.

The Luoshu (洛書) system features AI-driven channel engagement recommendations based on automated matching of bidding systems operated by the traffic channels. Based on our historical key indicators, our Luoshu (洛書) system is able to calculate and estimate the return parameters of the products we operate and market immediately after data inputs. Subsequently, we are able to identify and target suitable end-users across a wide range of digital channels. These channels can work either independently or together, depending on our marketing strategies.

Intelligence Analytics System — Hetu (河圖) System

Our proprietary business intelligence analytics system, our Hetu (河圖) system, is capable of monitoring and analyzing the marketing campaign results through various tags generated, including time slots, channels and characteristics of the target user group.

The Hetu (河圖) system is equipped with an engine with sophisticated and customizable user-and campaign-based learning algorithms. Our Hetu (河圖) system ingests and analyzes disparate parameters to generate views of end-users encompassing age, gender, behaviors, the likelihood of player churn and in-game purchase intent, which are then translated into marketing

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campaigns for highly targeted end-users across specific marketing channels our client chooses to integrate. Through this, we are able to generate real-time and actionable insights across end-user acquisition, retention and growth opportunities. Leveraging a variety of algorithms learning and statistical techniques, we are able to correlate events across multiple sources to discover patterns, identify trends and predict outcomes across millions of data to understand changes in end-user behavior. For example, the Hetu (河圖) system can quickly identify which marketing channels are most likely to be effective for an individual end-user, which types of messages are most likely to resonate and what time of day the end-user is most likely to be receptive to the marketing message. The analytical indicators generated by our Hetu (河圖) system facilitate us to adjust their marketing strategies and spending on a real-time basis and optimize the campaign results.

RESEARCH AND DEVELOPMENT

Rapid and continuing innovation is a core driver of our business success and our corporate culture. We are committed to continuous innovation and the rapid introduction of new technologies, features and functionality that bring value to our clients. Our proprietary Hetu (河圖) system and Luoshu (洛書) system are built and maintained internally by our engineers, data scientists and product managers. We allocate a substantial portion of our operating expenses to research and development, including improving our data analytics technologies. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our research and development costs amounted to RMB472.4 million, RMB136.9 million, RMB157.7 million, RMB47.3 million and RMB57.7 million, respectively. As of April 30, 2023, we had 335 employees dedicated to research and development, most of whom held computer science-related bachelor’s degrees or above.

Our research and development department is comprised of data analysts, system managers, and software engineers, who work closely together to develop and upgrade our proprietary Hetu (河圖) system and Luoshu (洛書) system. The table below sets forth a breakdown of the number of employees in our research and development department by function as of the dates indicated:

	As of			As of
	December 31,			April 30,
	2020	2021	2022	2023
Data analysis	43	106	83	64
System development and management	30	67	100	92
Software engineering	75	233	203	179
Total	<u>153</u>	<u>406</u>	<u>386</u>	<u>335</u>

Our efforts are focused on improving and enhancing the features, functionality, performance, availability and security of our technology capabilities to better support our services. Our R&D process for a specific project generally comprises six phases: (i) project initiation, which mainly involves requirement analytics and approval; (ii) product development; (iii) testing; (iv) launch; (v) operation and feedback collection; and (vi) next iteration. Our R&D

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process is primarily driven by the marketing and operation needs of the game products we marketed and operated or internal ideas for improvements or innovation and involves collaborative efforts across multiple departments, such as the marketing department, operation department and product department. We encourage our employees to maintain close communications with internally to understand each participants’ needs and demands. In the project initiation stage, our product department builds a demand pool filled with product development or optimization demands collected from different departments. At the development stage, we encourage our in-house R&D team to explore new concepts. During the Track Record Period, our in-house R&D team worked on various major development projects which we believe are not only necessary to enhance our ability to optimize our comprehensive digital marketing solutions but are essential in maintaining our competitiveness. After completing the project initiation and development phase, we conduct internal tests to resolve any major technological issues and bugs that may exist in the test version. After launch, we continually monitor and analyze system performance and continue to optimize system functions and performance.

We have a technology roadmap to introduce new technology capabilities and functionalities. We have formulated a strategic R&D roadmap primarily focused on (i) developing an automatic abnormal data analytics system; (ii) improving the real-time API accuracy to improve the accuracy of information from multiple marketing channels; (iii) enhancing our intelligent campaign performance management system; and (iv) developing a big-data empowered advertising material analytics system. In particular, we are investing in AI content management and expansion of AI-based decision and orchestration. We have implemented a multi-tenancy architectural approach that allows us to operate a single application instance for multiple clients, treating all clients as separate tenants who run in virtual isolation from each other. We customize solutions for each client as though they each have a separate instance, yet their data and customizations remain secure and insulated from the activities of all other clients. Our multi-tenant platform runs on a single stack of hardware and software, which is comprised of commercially available hardware and a combination of proprietary and commercially available software.

CLIENT SERVICES AND TECHNICAL SUPPORT

Client experience and satisfaction have always been deeply rooted in our mission and we are committed to delivering an exceptional level of service to our clients. As part of our operation enhancement services, we provide product enhancement suggestions to clients throughout the product lifecycle. We regularly summarize and analyze user feedback, and regularly conduct in-depth communication with clients on needs from target users and product shortages. Taking game products as an example, we maintain in-depth communication with the clients to ensure that the game is updated and optimized from time to time. We also launch operation campaigns with the clients and regularly launch special offline events for VIP end-user groups to attract high-value users to play, increase their willingness to pay, and enhance their recognition and sense of belonging to the game.

In addition, we offer expert consulting, client success management, technical support and learning services to our clients. We have service teams dedicated to designing and implementing customized solutions for our clients. Our teams use a comprehensive, client-focused delivery

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methodology that has been refined over capturing and analyzing best practices from numerous client engagements across a diverse mix of solutions, industries and client segments. Our services teams work with clients on an ongoing basis to understand their current and future business needs, promote faster solutions adoption and align the market potential of the marketed products to client’s business objectives to enhance the return on their investment. We engage clients to share best practices, relevant industry and vertical knowledge and proven success strategies based on our extensive engagements with leading distribution channels and brands.

As part of our online game publishing business, we maintain an end-user service team, too. As of April 30, 2023, we maintained an end-user service team with a total of 219 members. Our end-user service team offers 24-7 instant services to end-users through various online channels, including WeChat public accounts, social media accounts and user groups. Our user service team aims to provide satisfactory solutions to users promptly to improve user experience and prolong the user lifecycle.

OUR CLIENTS AND SUPPLIERS

Our Clients

During the Track Record Period, our clients primarily consisted of developers of game products. We review our clients on a regular basis. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our five largest clients in each year/period contributed to approximately 92.0%, 95.2%, 80.4% and 78.1% of our total revenue for the same year/period, respectively. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our largest client in each year/period contributed to 48.6%, 43.9%, 31.7% of and 32.0% our total revenue for the same year/period, respectively.

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Under the joint-run model, we act as the primary game marketing and operation partner of our game developer clients, and pursuant to our service agreement with the game developer, we typically have the discretion to market and operate the game product under the joint-run model by engaging third party collaboration distribution channels. The contractual authorization is between us and the game developer client and the service details under the joint-run model are further elaborated in our agreements with the collaborating distribution channels. Therefore, under the joint-run model, we do not act as a collaborating distribution channel and third-party collaboration distribution channels are our suppliers rather than clients.

<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
<i>For the year ended December 31, 2020</i>					
Client A	1,394,655	48.6%	60-90	4.1	A domestic game product developer mainly engaged in technology development of network technology, computer software and hardware, e-commerce technology.
Client B	573,863	20.0%	90-120	7.5	A public company listed on the Shenzhen Stock Exchange, which is a domestic game product developer/publisher mainly engaged in technology development, technology transfer, technology consulting, and technical services in the computer field.
Client C	288,738	10.1%	60-90	5.5	A domestic game product developer mainly engaged in technology development and technology services.

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<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
Client D	211,905	7.4%	90-120	6.3	A domestic game product developer mainly engaged in technology development and technology services.
Client E	168,717	5.9%	30-60	2.9	A domestic game product developer/publisher mainly engaged in network culture management and Internet information services.
Total	<u>2,637,878</u>	<u>92.0%</u>			
<i>For the year ended December 31, 2021</i>					
Client B	2,518,748	43.9%	90-120	7.5	A public company listed on the Shenzhen Stock Exchange, which is a domestic game product developer/publisher mainly engaged in technology development, technology transfer, technology consulting, and technical services in the computer field.
Client A	1,366,083	23.8%	60-90	4.1	A domestic game product developer mainly engaged in technology development of network technology, computer software and hardware, e-commerce technology.

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<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
Client C	1,342,435	23.4%	60-90	5.5	A domestic game product developer mainly engaged in technology development and technology services.
Client D	138,567	2.4%	90-120	6.3	A domestic game product developer mainly engaged in technology development and technology services.
Client E	97,985	1.7%	30-60	2.9	A domestic game product developer/publisher mainly engaged in network culture management and Internet information services.
Total	<u>5,463,818</u>	<u>95.2%</u>			
<i>For the year ended December 31, 2022</i>					
Client C	2,796,320	31.7%	60-90	5.5	A domestic game product developer mainly engaged in technology development and technology services.
Client B	2,373,776	26.9%	90-120	7.5	A public company listed on the Shenzhen Stock Exchange, which is a domestic game product developer/publisher mainly engaged in technology development, technology transfer, technology consulting, and technical services in the computer field.

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<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
Client F	1,572,252	17.8%	90-120	1.1	A domestic game product developer mainly engaged in technology development, technology transfer, technology consulting, and organization of cultural and entertainment activities.
Client G	258,812	2.9%	10-40	1.5	A domestic game product developer mainly engaged in internal cultural management.
Client D	98,385	1.1%	90-120	6.3	A domestic game product developer mainly engaged in technology development and technology service.
Total	<u>7,099,545</u>	<u>80.4%</u>			
<i>For the four months ended April 30, 2023</i>					
Client B	782,650	32.0%	90-120	7.5	A public company listed on the Shenzhen Stock Exchange, which is a domestic game product developer/publisher mainly engaged in technology development, technology transfer, technology consulting, and technical services in the computer field.

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<u>Client</u>	<u>Revenue</u> <i>(RMB'000)</i>	<u>% of total revenue in same year/period</u>	<u>Credit terms ⁽¹⁾</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Client background</u>
Client C	578,381	23.6%	60-90	5.5	A domestic game product developer mainly engaged in technology development and technology services.
Client F	431,862	17.6%	90-120	1.1	A domestic game product developer mainly engaged in technology development, technology transfer, technology consulting, and organization of cultural and entertainment activities.
Client H	89,909	3.7%	60-90	0.4	A domestic game product developer/publisher mainly engaged in technology development and technology services.
Client E	29,006	1.2%	30-60	2.9	A domestic game product developer/publisher mainly engaged in network culture management and Internet information services
Total	<u>1,911,808</u>	<u>78.1%</u>			

Note:

⁽¹⁾ The term indicates when the payment is due to game product developer/providers.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest clients for each year/period during the Track Record Period. See “Risk Factors — Risks Relating to Our Business and Industry — We are subject to concentration risk as a substantial

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portion of our revenue was generated from our major clients for marketing and operating game products.”

For the purpose of strengthening industry synergy and forming a strategic alliance, in September 2022, Jiangxi Tanwan, one of our PRC Operating Entities, obtained 55,175,000 shares of Client B, a public company listed on the Shenzhen Stock Exchange and one of our five largest clients for each period during the Track Record Period. As of the Latest Practicable Date, we have sold all of our investments in Client B. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there had been no past or present relationships (including, without limitation, business, family, trust, employment, shareholding, financing or otherwise) between us and our five largest clients for each year/period, including, to the knowledge of our Directors, such clients’ respective subsidiaries, shareholders, directors, senior management and their respective associates.

Our Suppliers

During the Track Record Period, our suppliers primarily consisted of third-party advertising, marketing and channel distribution service agencies or providers. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our five largest suppliers in each year/period contributed to approximately 56.1%, 64.5%, 59.0% and 53.4% of our total purchases for the same year/period, respectively. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, our largest supplier in each year/period contributed to 28.0%, 24.8%, 24.4% and 16.3% of our total purchases for the same year/period, respectively.

<u>Supplier</u>	<u>Transaction amount</u> <i>(RMB'000)</i>	<u>% of total purchases in same year/period</u>	<u>Credit terms</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Supplier background</u>
<i>For the year ended December 31, 2020</i>					
Supplier A	632,089	28.0%	60-90	8.1	A domestic advertising agency and marketing service provider mainly engaged in film distribution, audio-visual product production and radio and television program production.
Supplier B	330,897	14.6%	60-90	6.8	A domestic advertising and marketing service provider mainly engaged in technical services in the field of computer software and hardware.
Supplier C	116,648	5.2%	30-60 ⁽¹⁾	6.7	A global information and communication infrastructure provider mainly providing joint-run channel/servers services.

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Supplier	Transaction amount <i>(RMB'000)</i>	% of total purchases in same year/ period	Credit terms <i>(Days)</i>	Length of business relationship <i>(Years)</i>	Supplier background
Supplier D	100,000	4.4%	15-20	5.5	A domestic advertising and marketing service provider and online game developer mainly engaged in marketing services and online game development.
Supplier E	87,736	3.9%	15	3.3	A domestic advertising and marketing service provider mainly engaged in technical services and technology development.
Total	<u>1,267,370</u>	<u>56.1%</u>			
<i>For the year ended December 31, 2021</i>					
Supplier A	1,182,352	24.8%	60-90	8.1	A domestic advertising agency and marketing service provider mainly engaged in film distribution, audio-visual product production and radio and television program production.
Supplier F	960,850	20.1%	45	7.1	A domestic advertising and marketing service provider mainly engaged in digital content production services and digital cultural and creative content application services.
Supplier C	338,480	7.1%	30-60 ⁽¹⁾	6.7	A global information and communication infrastructure provider mainly providing joint-run channel/servers services.
Supplier G	304,993	6.4%	60-90	2.3	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Supplier H	293,345	6.1%	60-90	2.2	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Total	<u>3,080,020</u>	<u>64.5%</u>			

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<u>Supplier</u>	<u>Transaction amount</u> <i>(RMB'000)</i>	<u>% of total purchases in same year/ period</u>	<u>Credit terms</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Supplier background</u>
<i>For the year ended December 31, 2022</i>					
Supplier A	1,902,652	24.4%	60-90	8.1	A domestic advertising agency and marketing service provider mainly engaged in film distribution, audio-visual product production and radio and television program production.
Supplier F	1,322,015	17.0%	45	7.1	A domestic advertising and marketing service provider mainly engaged in digital content production services and digital cultural and creative content application services.
Supplier H	792,497	10.2%	60-90	2.2	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Supplier C	321,406	4.1%	30-60 ¹	6.7	A global information and communication infrastructure provider mainly providing joint-run channel/servers services.
Supplier G	253,720	3.3%	60-90	2.3	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Total	<u>4,592,290</u>	<u>59.0%</u>			
<i>For the four months ended April 30, 2023</i>					
Supplier A	340,905	16.3%	60-90	8.3	A domestic advertising agency and marketing service provider mainly engaged in film distribution, audio-visual product production and radio and television program production.
Supplier F	327,016	15.7%	45	7.1	A domestic advertising and marketing service provider mainly engaged in digital content production services and digital cultural and creative content application services.

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<u>Supplier</u>	<u>Transaction amount</u> <i>(RMB'000)</i>	<u>% of total purchases in same year/ period</u>	<u>Credit terms</u> <i>(Days)</i>	<u>Length of business relationship</u> <i>(Years)</i>	<u>Supplier background</u>
Supplier H	160,814	7.7%	60-90	2.2	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Supplier I	143,240	6.9%	30-60 ⁽¹⁾	7.2	A wholly-owned subsidiary of a leading Internet company listed on the Stock Exchange and a provider of information and communication infrastructure.
Supplier G	142,082	6.8%	60-90	2.3	A domestic advertising and marketing service provider mainly engaged in design and release of advertisements and computer system services.
Total	<u>1,114,057</u>	<u>53.4%</u>			

Note:

(1) The term indicates when the payment is due from collaborating distribution channel to us.

Among our five largest suppliers in each year/period during the Track Record Period, Supplier C was one of our major collaborating distribution channels involved in our game publishing business under the joint-run model. Supplier C is a multinational privately held technology corporate headquartered in Shenzhen, Guangdong province, mainly engaged in the provision of networking products and telecommunication solutions. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, the commission we paid to Supplier C amounted to RMB116.6 million, RMB306.4 million, RMB304.9 million and RMB67.8 million, respectively. Pursuant to our business arrangements with Supplier C, the percentage of gross billings withheld by and attributable to it during the Track Record Period was approximately 50% of the total gross billings that end users paid for the relevant game products in which Supplier C is involved. Supplier C is Channel A as disclosed on page 403 of this document.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers for each year/period during the Track Record Period. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there had been no past or present relationships (including, without limitation, business, family, trust, employment, shareholding, financing or otherwise) between us and our five largest suppliers for each year/period, including, to the knowledge of our Directors, such suppliers'

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their respective subsidiaries, shareholders, directors, senior management and their respective associates.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply.

Overlapping of Clients and Suppliers

One of our five largest clients in each year/period of the Track Record Period, Client C, and one of our five largest suppliers in 2020, Supplier D, belong to the same group which primarily engages in the development of computer and network technologies and provision of related goods and services, including online games and mobile games. Supplier D was established in Hangzhou in December 2014, primarily focused on the research and development of game products, and is controlled by an Independent Third Party. The initial registered capital of Supplier D was RMB2.9 million. It currently has a team of over 200 employees dedicated to the development of innovative game products. Therefore, in addition to providing marketing services, Supplier D also has extensive experience in development of online games. In 2020, we engaged Supplier D to develop two online games tailored for the preferences of the players under the Tan Wan brand based on the insights we accumulated (the “Tailored Game Products”). These two games are RPG games. As of the Latest Practicable Date, these games were undergoing final-stage development and testing and we plan to launch these games based on market conditions after its development and testing are completed. After these two games are launched, they will be included as self-owned games in our game product portfolio. We reached a collaboration agreement with Supplier D based on our diligence on Supplier D’s game development record and the good collaboration history when it acted as our supplier. In addition, we provided online game marketing and operation services for the game products developed by Client C during the Track Record Period. Under this arrangement, we agreed to pay Supplier D a total fee of RMB100.0 million for the development of the Tailored Game Products. We have agreed to pay such an amount of fees because we believe the Tailored Game Products can better meet our marketing strategy and therefore can generate higher returns in the future. As of the Latest Practicable Date, the Tailored Game Products had not been launched.

In addition to Tailored Game Products, we also engaged another third party for the development of one self-owned game during the Track Record Period. The contract amount for the development of this game was RMB28 million. Such game was under final-stage development and testing as of the Latest Practicable Date. According to Frost & Sullivan, the amount we paid to these third parties for the development of our self-owned games are in line with the industry norm.

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, revenue we generated from Client C amounted to RMB288.7 million, RMB1,342.4 million, RMB2,796.3 million and RMB578.4 million, respectively, accounting for 10.1%, 23.4%, 31.7% and 23.6% of our total revenue, respectively. For the same years/periods, we paid a total amount of RMB100.0 million, nil, nil and nil to Supplier D, respectively, accounting for 4.4%, nil, nil and nil of our total purchases, respectively. Save as disclosed in this section, for the years ended

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December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, none of our five largest suppliers in each year/period was also our client in the same year/period that accounted for 1% or more of our revenue. Conversely, save as disclosed in this section, for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, none of our five largest clients in each year/period was also our supplier in the same year/period that accounted for 1% or more of our purchase amounts.

Our Directors confirmed that all of our sales to Client C and purchases from Supplier D were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis. Negotiation of the terms of our sales to Client C and purchases from Supplier D were conducted on an individual basis and the sales and purchases were neither inter-connected or inter-conditional with each other.

BRANDING AND MARKETING

Our marketing efforts are focused on promoting our brand, generating awareness of our services, creating sales leads and building thought leadership on relevant topics for our clients and prospects. We focus our go-to-market efforts on leveraging an advanced, data-driven sales management system to identify, nurture and target new clients and provide our existing clients with new solutions to grow their businesses. To obtain new clients, we create comprehensive demand generation programs. Our demand generation programs are a part of our overall marketing strategy to build brand awareness and secure new leads from game developer clients, aiming to create a predictable pipeline for your sales team. Our demand generation strategies typically include blogging, downloadable content, webinars, videos, influencer marketing, PR campaigns, industry and partner conferences. These sales and marketing efforts allow us to engage and retain a diversified client base across a spectrum of verticals and allow us to engage decision-makers and individual contributors at every level of our client’s organizations.

Our sales team is led by our senior management, including Mr. WU Xubo and Mr. LUO Xihu. Our sales team has a balanced mix of tenure and sales productivity to build and nurture relationships with our clients.

We believe there is a substantial opportunity to further grow our client base by continuing to make significant investments in our sales and marketing pipeline. We intend to pursue new clients and to expand our marketing capacity to increase awareness of our services, harness demand for our services and accelerate growth. Our efforts have already created a significant pipeline of opportunities for our sales organization, and we are currently focused on building a sophisticated sales operation to help achieve growth. While our service platform is built for organizations of different sizes and multiple industry sectors, our sales team will primarily focus their selling efforts on reputable enterprise clients, which we believe will lead to scale and operating leverage in our business model. Our new sales pipeline will also track and measure our marketing costs and results closely across all channels and business units to support our efforts to optimize our sales pipeline. We believe these changes will further reduce our sales cycle and lower client acquisition costs. Overall, we believe our new sales and go-to-market models will allow us to better serve the nuanced demands of new and existing clients across all industry verticals.

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DATA ARRANGEMENT AND PRIVACY

Data Arrangement

Upon prior authorization, we have access to and collect, store, process and analyze certain data arising from individual end-users using the game products or online literature we market and operate. The personal information we are authorized to access typically includes 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 collect the following personal information of our end-users: (i) equipment information, including IP address, equipment identification number and equipment type, which are mainly used for player account security purposes; (ii) identity information, including names, age and identification numbers to protect minors in accordance with relevant PRC laws and regulations. and (iii) de-identified information on player’s behavioral data, including records of playing our games and purchasing in-game virtual items. We generally collect and process these information to ingests and analyze the preferences of our end-users. By doing this, we are able to accurately identify the target user groups and create customized advertising materials to achieve precise end-user engagement. We are allowed to access, store, integrate, process and analyze in our database, 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.

Data Security

The security and protection of personal information in accordance with the PRC Cyber Security Law are one of our highest priorities. We have established comprehensive internal policies for protecting data security and an information security team. Our internal control system focuses on data security and personal information protection. This includes our policies regarding data security, management of data security, and data classification and categorization. Our internal control protocols cover the full lifecycle of data processing, including data collection, data quality management, data encryption and transportation, data storage security, data backup and recovery, data processing and analytics, proper use of data, data destruction and disposition.

Set forth below are the details of the measures we have taken to protect data security.

- *Comprehensive data governance and related internal control measures.* We have put in place a comprehensive employee confidentiality system, data usage approval procedures, and an internal audit mechanism for data tracing to ensure the security of our database. We have established an all-around information system in compliance with the highest-level data security requirements. Our data protection and privacy policies are focused on ensuring that: (i) our collection of personal data is conducted in accordance with applicable laws and regulations, and (ii) personal data we collect are reasonable for the purposes for which they are collected. We maintain strict control

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over access to personal data and strict assessment and approval procedures to prohibit invalid or illegitimate uses. We manage access to personal data based on strict necessity and maintain records of data access. Our policies require new products and services that involve access to or processing of personal data to be subject to assessment and approval procedures. We store personal data in accordance with applicable laws and regulations. As the laws and regulations relating to data security evolve, we will adjust our internal policy and procedures with respect to data security protection to ensure compliance.

- *Comprehensive internal data privacy policies and related internal control measures.* At the company level, we have established policies such as employee handbooks and information security management systems which stipulate the standardized procedures for the management of security data and potential risks. At the department level, each department has formulated specific departmental rules and regulations based on its own operational needs. In particular, the departments with access to the data processing platform have put in place more strict requirements on the authorization and operation of data processing. We also regularly organize presentations and training sessions related to data security to strengthen employees' awareness of data security compliance on both corporate level and department level.
- *Strict data access and processing policies and related internal control measures.* We manage access to personal data based on strict necessity and maintain records of data access. Access to and operation of data will be logged and monitored and subject to review. To process data for a particular purpose, the related employees in charge of the project are required to submit an application for internal review and obtain an access approval with a definite expiration date, normally by the end of the relevant project. Abnormal access and operation will trigger an automatic warning or alert from the platform. We require all our employees to comply with our internal policies and protect the privacy and personal information, and we strictly prohibit unauthorized or improper collection or use of such data or personal information. In addition, We have adopted and implemented a robust internal control system focusing on data security and personal information protection. This includes our policies regarding data security, management of data access and data classification and categorization. Our internal control protocols cover various aspects of data processing including data collection, data transportation, data storage security, data backup and recovery and proper use of data. We require all of our employees to comply with our internal policies and protect privacy and personal information, and we strictly prohibit unauthorized or improper collection or use of such data or personal information.
- *Strict enforcement of data security policies.* Our information security department will investigate the event in a timely manner if the platform sends out any automatic warning or alert and evaluate the impacts. We take appropriate security measures against any abnormal or suspicious requests or behaviors if the automatic warning or alert signals any real problems. In addition, we require our employees to acknowledge and sign confidentiality agreements before entering into employment contracts. We have implemented stringent data security monitoring and alert systems for sensitive

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data. Our data security committee will investigate the event in a timely manner if the data platform sends out any automatic warning or alert and evaluate the impacts. We take appropriate security measures against any abnormal or suspicious requests or behaviors if the automatic warning or alert signals any real problems. We have the right to dismiss any employee if they illegally misuse or leak our data or cause any damage to us or our clients and may also pursue further legal proceedings against them. We prohibit employees from storing any work-related documents, files or data on unauthorized servers or personal computers. We also regularly organize presentations and training sessions related to data security to strengthen employees’ awareness of data security compliance.

- *Strict encryption measures against personal data.* We use encryption technologies to protect the transmission and storage of personal data and conduct periodic testing and assessment to determine the efficiency of our data processing and management technologies. Our encryption technologies enable us to detect, encrypt or remove personal identifiers, including identity card number and other sensitive information that can identify an end-user pursuant to the PRC Cybersecurity Law, Personal Information Law and other applicable PRC laws and regulations.
- *Stringent system protection measures.* We have established a data security committee consisting of employees from different departments. Our data security committee is mainly responsible for the overall information security management work, promoting the implementation of information security work and formulating information security policies and information security management goals. We continuously update our data protection and privacy systems to strengthen data protection and eliminate system attacks, including data monitoring, firewall systems, data encryption technology, system login protection and data backup.

In respect of the encryption technologies and method, we generate a code for each personal data label through irreversible encryption of the related identification information field, which will be used as the master index and does not contain any personally identifiable information itself. Encrypted data are indexed using the code instead of identifiable information. The code also allows us to compare and detect duplicated records of the same end-user and delete duplicated data. From a mathematical perspective, this personal information to code transformation cannot be decrypted or reversed. Thus, it is impossible to determine an end-user’s identity through encrypted data. In addition, the encryption process is purely automatic, as our algorithm model can accurately detect personal information to be encrypted into the code without human supervision, thereby protecting personal information from human access without compromising our ability to analyze the underlying data. Furthermore, the encryption works like a mathematical function where the same input will always generate the same output under the same algorithm. Using the same code generated separately in multiple transactions, we are able to match multiple transaction records of a single end-user. The encryption is completed within our servers or private cloud under our full control to further ensure the protection of identities.

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As of the Latest Practicable Date, we possessed personal information of more than one million users. During the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with all applicable laws and regulations in the PRC on data privacy and security and we have not been subject to any material legal or regulatory proceedings in that regard. To the best knowledge of our Directors, we believe we had complied in all material respects with all applicable laws and regulations in the PRC on data privacy and security, and we have not been subject to any material legal or regulatory proceedings during the Track Record Period. We will closely monitor and assess the latest development and requirements of new regulations and timely implement necessary measures.

COMPETITION

The online game publishing business is highly competitive, and we expect more competitors to emerge. We face competition from a number of competitors who market and operate game products, some of which include features that compete with the products we market and operate. Specifically, we face competition from online game developers and distributors who are primarily focused on global markets. Many of our competitors enter the mobile game industry on a regular basis, some of which see significant success in a short period of time.

The mobile game market is characterized by intense competition because of the evolving distribution models, frequent new product introductions, short product lifecycles, lowered gross margins and high price sensitivity. Our competitive market is highly fragmented with most competitors focused on specific use cases, end markets and/or types of point solutions. We believe the principal factors that drive competition between competitors in our market include:

- quality of end-user experience;
- ability to invest in leading technology;
- game product capabilities, including flexibility, scalability, performance, security and reliability;
- volume and leverage of user data and analytics;
- brand awareness and reputation;
- access to collaborating distribution channels and multi-channel automation; and
- ability to expand to adjacent industries.

We believe we compete favorably with the abovementioned factors. Moreover, our future success also depends on our ability to enhance our existing online game publishing business, and introduce new services on a timely and cost-effective basis. Successful execution of our strategy primarily depends on our continuous ability to attract and retain our clients, expand the end-user reach and maintain a technological edge.

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HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Since our founding, we have been highly committed to sustainable corporate responsibility projects, both through charitable endeavors and by extending our efforts to benefit the society at large. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. We strive to operate our workplace and data centers in a manner that protects the environment and the health and safety of our employees and communities. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

Environmental, Social and Governance

We have in place an environmental, social and governance (“ESG”) policy which sets out key ESG-related objectives and responsibilities. The Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Company, and evaluating, determining and addressing our ESG-related risks. In order to effectively implement the relevant work of ESG management, we have established an ESG working group, comprising representatives from our various departments (e.g. human resources, general administration, information technology, sales and marketing). The ESG working group reports to the Board and oversees our ESG strategies, daily operations and risk management. Pursuant to our ESG policies, our ESG working group needs to meet no less than annually to identify, evaluate and manage progress of annual key objectives agreed by our Board. Where the ESG working group considers it necessary, it may engage a third-party consultant to support us in fulfilling our ESG objectives. In addition, we have incorporated ESG-related matters into various training programs for our employees. The ESG working group has the primary responsibility for preparing our ESG report. Our ESG working group reports directly to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving the publication of our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

We are committed to innovating green and renewable strategies including: (i) minimizing carbon footprint by utilizing as much green power, renewable fuel, reclaimed water and recycled materials as possible; (ii) implementing a methodic sustainability approach featuring water management and variable- frequency cooling systems; and (iii) phasing in the implementation of IoT devices and replacing inactive or under-used servers with cloud servers with lower energy usage yet high computing power. For manufacturing or delivery of our consumer product business, we engage third-party manufacturers and logistics service providers to carry out these functions. Therefore, we have encountered no material accidents in our course of business, and we do not believe we are subject to significant environmental, health and workplace safety regulation in any jurisdiction in which we conduct business.

We prescribe transparent procurement procedures for selecting suitable suppliers in a fair, impartial and open manner. Our procedures ensure fair competition during our procurement,

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including adopting objective selection criteria. These procedures protect the interests of both our Company and the supplier. Our procurement considerations, including but not limited to service quality, pricing and delivery time, and reputation. In addition, we only partner with third party suppliers that comply with certain ESG criteria to ensure the quality of our products. In particular, we are committed to reducing the environmental impact from our plastic packaging by decreasing our associated carbon footprint and eliminating plastic packaging that cannot be recycled, reused or repurposed.

ESG Metrics and Targets

Greenhouse Gas

Greenhouse gas (“GHG”) emissions are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks, and opportunities in our investments, it is integral to measure and disclose our carbon footprint as a first step in our ESG journey. Considering our business nature, substantially all of our greenhouse gas emissions are categorized as scope 3 emissions. For the four months ended April 30, 2023, we recorded approximately 135 tons of scope 3 emissions for our head office in Guangzhou.

GHG emissions are produced by us mainly due to the use of electricity during our daily operation. Climate-related issues are among our key agenda. By the end of 2025, we aim to reduce 10% of scope 3 emissions. Our current target is to gradually adopt more environmentally friendly measures and reduce our energy consumption in our daily operation. The data will serve as a foundation of developing more relevant energy reduction strategies and setting appropriate reduction targets for our Company in the future.

Resource Consumption

The Board will set metrics and targets for material KPIs for each financial year with reference to the disclosure requirements of Appendix 27 to the Listing Rules. Considering the nature of the mobile game business, the Board has identified energy and water as the key metrics and targets, of which we will endeavor to apply measures to conserve. These include the volume of electricity in kilo-Watt-hour (“kWh”) and water in square meter consumed by our office premises. Our electricity consumption is primarily used for the operation and maintenance of our office equipment and appliances, such as computers, the level of which is generally associated with our business scale and number of employees. The table below sets forth the resource consumption of our head office in Guangzhou in 2022 and the four months ended April 30, 2023.

<u>Type of energy/resources</u>	<u>For the year ended December 31, 2022</u>	<u>For the four months ended April 30, 2023</u>
Electricity	1,712,722.3 kWh	398,582.83 kWh
Water	16,582.0 m ²	3,469.9 m ²

We strive to use resources effectively and minimize the discharge of wastes. In the ordinary course of business, we actively engage employees on the importance of energy conservation. We

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have implemented the following measures to conserve electricity and water, including: (i) keep indoor air-conditioning temperature at 26°C during summer; (ii) encourage staff to print in black and white, and avoid wasting paper; and (iii) reminding the staff to completely switch off computers and electronic devices after office hours or when they are not in use. We will implement the following electricity and water consumption targets (taking into account of the expected increase of number of employees and consumption in line with our business expansion) for the year ended December 31, 2023.

Type of energy/resources	Annual performance target for the year ended December 31, 2023
Electricity	2,016,630.0 kWh
Water	18,642.8 m ²

Health and Safety

The table below sets forth the health and safety incidents of our head office in Guangzhou in 2022 and the four months ended April 30, 2023.

	For the year ended December 31, 2022	For the four months ended April 30, 2023
Work related fatality	0	0
Lost days due to work injury	0	0

Employment

We have established rules and procedures of recruitment, job promotion, compensation, benefits, rest periods, dismissal, etc., to protect our employees’ rights. During recruitment and job promotion, we follow the principle of “selection on merit”, taking into account the performance, work experience and capability of the applicant or employee. We advocate a diverse and equal workforce culture by ensuring that applicants and employees are not discriminated against on the basis of gender, age, race, family status or physical disability. We determine employees’ compensation packages on the basis of work performance and the market standard of remuneration. All of these measures aim to provide our employees with a fair work environment.

Development and Training

We believe that retaining talent and promoting teamwork are key to our long-term development, and are committed to enhance the professional knowledge and skills of our employees. We regularly participate in training seminars on topics such as compliance and corruption prevention. We provide all employees with orientation training, including an introduction to corporate culture and on-the-job training, which enable them to quickly integrate into our Company and adapt to their jobs. To encourage development, we conduct employee assessments at the end of each year. Depending on their performance and responsibilities, we provide employees with promotion and training opportunities.

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Corruption prevention

We strive to be ethical in our business operations, and do not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. Our Directors confirm that we comply with the laws and regulations regarding bribery, extortion, fraud and money laundering in all material aspects. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we received no allegations against us or our employees regarding bribery, extortion, fraud or money laundering. We require all employees to comply with professional ethics, and prohibit any form of corruption. Employees who are found to have committed corruption will be discharged from their duties and be held accountable for his/her judicial responsibility.

Sustainable Packaging

We continue to deepen the concept of green operation, actively promote the use of recycled materials for the packaging for our consumer product business. We have taken into account the environmental impact in selecting our suppliers for packaging, aiming to decreasing our associated carbon footprint and eliminate plastic packaging that cannot be recycled, reused or repurposed.

ESG Risks Identification, Assessment and Management Process

The ESG working group will meet no less than annually to identify, evaluate and manage progress of annual key objectives agreed by our Board. The ESG working group adopts a control and risk self-assessment methodology and continuously assesses and manages its ESG and climate-related risk profile. ESG and climate-related risks that are relevant to our business are identified, assessed and ranked according to their likelihood, financial consequence and reputation impact on us. Where the ESG working group considers it necessary, it may engage a third-party consultant to support us in fulfilling our ESG objectives. We will incorporate ESG-related matters into various training programs for our employees. The ESG working group will also have primary responsibility for preparing our ESG report and devising mitigation and management measures to alleviate ESG risk and impact. The ESG working group will report to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving the publication of our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

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CORPORATE SOCIAL RESPONSIBILITY

Since our founding, we have been highly committed to sustainable corporate responsibility projects, both through charitable endeavors and by extending our efforts to benefit the society at large. During the Track Record Period, our achievements and initiatives in the area of corporate social responsibility include the following:

COVID-19 Relief Effort

During the COVID-19 pandemic in China, we have done our utmost to help people. Immediately after the announcement of quarantine in Wuhan, we put together a task force to lead our epidemic relief efforts and took swift action to support the nationwide fight against the pandemic, including making donations to the Red Cross Society. We took the health and safety of our employees as our top priority. We provided all of our employees with masks and other protective equipment immediately after the outbreak. This reflects our long-held belief that the best approach to corporate social responsibility is through embedding elements of social responsibility in our business model.

Philanthropic Efforts

We have established a charity foundation. Through the charity foundation and our services, we channel the end-users to various public welfare activities, cultivate end-users’ public welfare awareness and habits, and promote the concept of involvement in public welfare. In addition, to fulfill our social responsibility and mitigate inequality in allocating public welfare resources, we participated in charitable donations to regions with limited resources. For example, starting from 2017, our charity foundation has launched a series of charitable events, through which we made donations valued over RMB10.0 million primarily to poverty areas and areas suffering from natural disasters in Guangdong Province and Jiangxi Province, and to students and schools in less developed areas in Shaanxi Province and Anhui Province.

Our People

We continuously invest in the training and career development of young talents. We have always striven to provide our engineers and other employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. We support the physical and behavioral health and well-being of our team members and their families by providing an array of programs that help our people and their loved ones stay at their best level of health. Our workforce is as diverse as the community we serve, and we believe that everyone deserves respect. We are committed to the education, recruitment, development and advancement of diverse team members worldwide, and are recognized for our commitment to those efforts. We not only focus on the improvement of employees’ professional development but have made efforts to incentivize our employees to have a “sense of goals” and “sense of fulfillment.” Additionally, we place special emphasis on the building of a talent

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pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

Public Awareness Education

We have endeavored to raise public awareness of the limits on minors’ video game play time. For example, we have imposed measures on the account of minors as required by their parents, and shall provide necessary assistance to the parents by performing continuous follow-up observation and timely reporting the activities of such account, in order to curb or prohibit improper in-game behavior of minors.

Data privacy and protection

We are committed to protecting personal information and privacy. We have established and implemented a strict company-wide policy on data aggregation and processing. See “— Data Arrangement and Security” for more details.

INTELLECTUAL PROPERTY

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of April 30, 2023, we had (i) 11 issued patents and one patent application; (ii) 1,610 granted trademarks and 205 trademark applications; (iii) 286 granted computer software copyrights; (iv) 77 fine art and photographic copyrights; and (v) 102 granted domain names. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims in relation to our registered intellectual property that will have a material adverse effect on our business, results of operations or financial condition.

We have put in place comprehensive intellectual property protection policies and related internal control systems to ensure our ability to obtain and maintain the intellectual property and proprietary protections for the commercially important technologies, inventions and know-how related to our business, defend and enforce our intellectual property rights, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties. Highlights of our intellectual property protection policies and related internal control system include the following:

- We perform searches on related intellectual property rights to make sure our intellectual property rights will not be challenged.

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- We file copyrights, trademarks and patents with the relevant authorities to protect our brand image and technological innovations. We regularly monitor third-party actions to protect our IP and take appropriate measures against any infringement.
- We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our business partners. We have entered into confidentiality agreements and non-competition agreements with our senior management and other employees who have access to trade secrets or confidential information about our business. Our confidentiality agreements and non-competition agreements contain an assignment clause under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee’s work.
- We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining the physical security of our premises and the physical and electronic security of our information technology systems.

In addition, to market and operate a game product developed by our clients, we need a due authorization from our clients. We perform due diligence on their intellectual property rights before entering into an agreement with them and request that representations be made on the part of the client that (i) the authorized product is not subject to any third-party claims and (ii) the client, as a developer of the product, has controls and procedures in place to adequately protect technology and intellectual property from potential compromise. In addition, we have also put in place internal policies and measures to guide our game product marketing and operation activities without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

During the Track Record Period, we had not been subject to any material intellectual property infringement claims. For a description of the ongoing IP litigations, please see “— Legal Proceedings and Compliance — Legal Proceedings.”

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EMPLOYEES

As of April 30, 2023, we had 1,453 full-time employees, all of whom were based in China. The following table sets forth the numbers of our employees categorized by function as of the date indicated:

	<u>As of April 30,</u>	
	<u>2023</u>	
	<u>Number of</u>	<u>% of total</u>
	<u>employees</u>	
Operations	457	31.5%
Research and development	335	23.1%
Sales and marketing	494	34.0%
General administration	167	11.5%
Total	<u>1,453</u>	<u>100.0%</u>

We have always striven to provide employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. Furthermore, we are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

As required by relevant laws and regulations in China, we participated in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension insurance, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. We participate in and make contributions to those social security plans and employee benefit plans, either by ourselves or through some qualified human resource service providers on behalf of us. We enter into legal agreements with those human resource service providers. Pursuant to the legal agreements, the human resource service provider shall make the contributions as stipulated by applicable laws and regulations for certain employees of us, the relevant cost of the social insurance and housing fund is ultimately born by us.

We are committed to establishing competitive and fair remunerations. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluations for our employees quarterly to

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provide feedback on their performance. Compensation for our staff typically consists of a base salary and a performance-based bonus.

We typically enter into standard employment agreements and separate confidentiality agreements or clauses with our senior management and core personnel. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after the termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

INSURANCE

We have obtained insurance to cover certain potential risks and liabilities. In particular, our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations. We also purchase supplemental commercial medical insurance and accident insurance for our employees.

During the Track Record Period, we did not make any material insurance claims in relation to our business. We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. However, our insurance policies are subject to standard deductibles, exclusions and limitations. As a result, our insurance policies may not be able to cover all of our losses, and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. For details, please see “Risk Factors — Risks Relating to our Business and Industry — We may not have sufficient insurance coverage to cover our business risks.”

PROPERTIES

Our corporate headquarters is located at Building B, Wei Chuang Center Office, No. 9, Aoti South Road, Huangcun Administrative Street, Tianhe District, Guangzhou. As of the Latest Practicable Date, we did not own any properties and operated our businesses through 21 leased properties with an aggregated gross floor area of approximately 32,311 square meters in Guangzhou, Shenzhen, Chengmai and Shangrao. Our leased properties in the PRC are primarily serve as our offices with lease expiry dates ranging from November 30, 2023 to February 14, 2034. During the Track Record Period, we did not experience any material dispute arising out of our leased properties. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to expand our data center network by leasing, building, or purchasing additional facilities across China over the next several years.

As of April 30, 2023, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section

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342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

LICENSES AND PERMITS

Our PRC Legal Adviser has advised us that we had obtained material licenses, approvals and permits that are material for our business operations in the PRC during the Track Record Period (including Value-added Telecommunications Operation License (增值電信業務經營許可)), which are set forth in the following table. In the opinion of our PRC Legal Adviser, all of our major subsidiaries in the PRC had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business during the Track Record Period.

We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations. Our PRC Legal Adviser has advised us that there is no material legal impediment to renewing such permits or licenses provided that we have complied with all the related requirements under the applicable PRC laws and regulations.

Our PRC Legal Adviser is of the view that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all the relevant licenses and permits for our business on consumer product business, covering instant food and pop toy products.

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The following table sets forth a list of our material licenses, approvals and permits:

Name of License, Approval and Permit	Holder	Issuing Authority	Initial Grant		Expiration
			Date	Grant Date	Date
Value-added Telecommunications Operation License	Jiangxi Tanwan	Jiangxi Communications Administration (江西省 通信管理局)	August 17, 2015	April 27, 2022	April 27, 2027
	Shangrao Tanwan	Jiangxi Communications Administration (江西省 通信管理局)	May 20, 2021	May 20, 2021	May 20, 2026
	Shanghai Tanwan	Shanghai Communications Administration (上海市 通信管理局)	April 30, 2021	April 30, 2021	April 30, 2026
	Guangzhou Zhongxu	Guangdong Communications Administration (廣東省 通信管理局)	October 12, 2021	October 12, 2021	October 12, 2026
	Hainan Tanwan	Hainan Communications Administration (海南省 通信管理局)	December 15, 2020	December 15, 2020	December 15, 2025
	Poyang Weiru	Jiangxi Communications Administration (江西省 通信管理局)	March 29, 2021	March 29, 2021	March 29, 2026
	Guangzhou Tanwan	Guangdong Communications Administration (廣東省 通信管理局)	November 5, 2019	November 5, 2019	November 5, 2024
	Poyang Tanwan	Jiangxi Communications Administration (江西省 通信管理局)	September 4, 2018	April 17, 2023	April 17, 2028
	Guangzhou Feifan	Guangdong Communications Administration (廣東省 通信管理局)	December 28, 2021	December 28, 2021	December 3, 2026
	Guangzhou Bajiyou	Guangdong Communications Administration (廣東省 通信管理局)	September 3, 2019	January 5, 2021	September 3, 2024

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Name of License, Approval and Permit	Holder	Issuing Authority	Initial Grant Date	Grant Date	Expiration Date
	Hainan Zhangwan	Hainan Communications Administration (海南省 通信管理局)	April 8, 2021	April 8, 2021	June 24, 2025
	Guangzhou Huanle	Guangdong Communications Administration (廣東省 通信管理局)	May 13, 2022	May 13, 2022	May 13, 2027
Food Business License (食品經營許可證)	Guangzhou Chichi	Guangzhou Tianhe District Administration of Market Regulation (廣州市天河區市場監督 管理局)	September 11, 2018	June 18, 2021	April 22, 2026

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, neither we nor any of our Directors were involved in any actual or pending legal, arbitration or administrative proceedings, which, either individually or in the aggregate, will have a material adverse effect on our business, results of operations or financial condition. However, we are from time to time party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. For details of the relevant risks, please refer to “Risk Factors — 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.”

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Set forth below is a table summarizing the ongoing and recently-closed IP infringement proceedings we are subject to. We engaged Goldsun Law Firm (國信信揚律師事務所) as a third-party PRC litigation expert in connection with those lawsuits. As of the Latest Practicable Date, save as disclosed below, to the best knowledge of our Directors, we were not subject to any ongoing or threatened claims in relation to IP infringement involving any game products we were authorized to market and operate, whether or not they were still part of our product portfolio.

<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit A	Legendary World (傳奇世界網頁版), a game we are authorized by the game publisher to market and operate	January 2017	The web page version of the online game Legendary World (傳奇世界網頁版) marketed and operated by our Company infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇).	Ruled partially in favor of the plaintiffs, including (i) an order that the copyright infringement be ceased; and (ii) an order that awards the plaintiffs RMB0.2 million in monetary damages payable by our Company.	Our Company and other co-defendants have appealed to the Supreme People's Court of the PRC, seeking to reverse the lower court's rulings. In June 2023, this case was transferred to the High People's Court of Beijing City for trial. The timetable for the appeal hearing had not been confirmed as of the Latest Practicable Date.	<ul style="list-style-type: none"> • July 2017- Plaintiffs filed the lawsuit in Beijing Intellectual Property Court • July 2020- the lower court ruled partially in favor of the plaintiff • June 2023- the case was transferred to the High People's Court of Beijing City, following our appeal to the Supreme People's Court of the PRC • Current-appeal proceeding with the High People's Court of Beijing City

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<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit B	Dragon World (龍騰傳世), a game we are authorized by the game developer to market and operate	January 2017	(i) the mobile game Dragon World (龍騰傳世) marketed and operated by our Company infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Dragon World involves misleading advertising for using certain marketing slogans.	The IP infringement claim was expressly dismissed. Ruled partially in favor of the plaintiffs, including (i) an order that the misleading advertising be ceased; and (ii) an order that awards the plaintiffs RMB0.1 million in monetary damages payable by our Company.	Shanghai Intellectual Property Court upheld lower court's decision. We have fully paid the monetary damages in relation to this lawsuit and this lawsuit is closed.	<ul style="list-style-type: none"> • February 2018- Plaintiffs filed the lawsuit in the Primary People's Court of Shanghai Pudong New Area • June 2020-the court ruled partially in favor of the plaintiff • May 2023-Shanghai Intellectual Property Court upheld lower court's rulings • June 2023- We have fully paid the monetary damages in relation to this lawsuit and this lawsuit was subsequently closed

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<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit C	Legend of Guyun (古雲傳奇)*, a game we were authorized by the game developer to market and operate	March 2019	(i) the online game Legend of Guyun (古雲傳奇) marketed and operated by our Company infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Legend of Guyun involves misleading advertising for using certain marketing slogans.	Ruled partially in favor of the plaintiffs, including (i) an order that the operation of the game at issue be ceased until the allegedly infringing commercial features are removed from Legend of Guyun; (ii) an injunction against future misleading advertising; and (iii) an order that awards the plaintiffs RMB2.85 million in monetary damages jointly and severally payable by our Company and the other co-defendants.	Our Company and other co-defendants have appealed to the High People's Court of Sichuan Province, seeking to reverse the lower court's rulings. In June 2023, the appeal hearing had been held and the ruling was pending as of the Latest Practicable Date.	<ul style="list-style-type: none"> • October 2019- Plaintiffs filed the lawsuit in the the Intermediate People's Court of Chengdu City of Sichuan Province • December 2021-the court ruled partially in favor of the plaintiff • June 2023-the appeal hearing had been held with the High People's Court of Sichuan Province and the ruling was pending as of the Latest Practicable Date

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<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit D	Legend of Lanyue (藍月傳奇), a game we are authorized by the publisher to market and operate	April 2016	(i) the online game Legend of Lanyue (藍月傳奇) marketed and operated by our Company infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Legend of Lanyue involves unfair competition.	Ruled partially in favor of the plaintiffs, including (i) an order that the copyright infringement be ceased; and (ii) an order that awards the plaintiffs RMB6.0 million in monetary damages payable by our Company and the other co-defendants.	The final decision of High People's Court of Zhejiang Province has been delivered to us in April 2023, which upheld the lower court's decision. As of the Latest Practicable Date, the lawsuit was under enforcement procedures.	<ul style="list-style-type: none"> • July 2019- Plaintiffs filed the lawsuit in the Intermediate People's Court of Hangzhou City of Zhejiang Province • May 2021-the court ruled partially in favor of the plaintiff • March-April 2023-the lower court's decision was upheld by the High People's Court of Zhejiang Province • April 2023- we paid the monetary damages for this lawsuit • Latest Practicable Date-The lawsuit was under enforcement procedures

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<u>Lawsuit</u>	<u>Game Product at Issue</u>	<u>Licensing Time</u>	<u>Plaintiff's Claims</u>	<u>Lower Court's Decision</u>	<u>Latest Status</u>	<u>Chronology</u>
Lawsuit E	The Legend of Mir II (熱血傳奇) IP	N/A	(i) the collaboration agreement and other ancillary documents allegedly entered into among one of our Company's joint ventures and two other co-defendants infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our Company's joint ventures, another co-defendant and our Company involves misleading information and commercial defamation of the plaintiff.	Pending	This lawsuit was still at its early stage as of the Latest Practicable Date.	<ul style="list-style-type: none"> March 2021- Plaintiff filed the lawsuit in the High People's Court of Fujian Province

Note:

* We acquired the full ownership of Legend of Guyun (古雲傳奇) in 2022.

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Lawsuit A

In July 2017, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed a lawsuit in Beijing Intellectual Property Court alleging that the web page version of the online game *Legendary World* (傳奇世界網頁版) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with *The Legend of Mir II* (熱血傳奇). The plaintiffs sought (i) an injunction against future infringement and unfair competition and a cease and desist order to bar further operation of the allegedly infringing game; and (ii) RMB1.0 million in monetary damages from us and the other co-defendants. In July 2020, the court ruled partially in favor of the plaintiffs, including (i) an order that the copyright infringement be ceased; and (ii) an order that awards the plaintiffs RMB0.2 million in monetary damages payable by us. We did not believe there was an infringement in the first instance. First, the game at issue was licensed to us by the content provider after reasonable diligence was done. The due diligence we conducted before entering the collaboration agreement for this game product includes (i) conducting a background search on the game developer in terms of its history, qualifications and reputation; and (ii) engaging a third-party legal counsel to negotiate the terms and conditions of the collaboration agreement, including a representation in our collaboration agreements that the game developer possesses the complete and legal rights to operate, distribute or license the operation (as the case may be) of the relevant game. Second, we are entitled to indemnity from the content provider, indicating a level of assurance from the content provider that there was no infringement issue when the game was licensed to us. Therefore, we and the other co-defendants have appealed to the Supreme People’s Court of the PRC, seeking to reverse the lower court’s rulings. In June 2023, this case was transferred to the High People’s Court of Beijing City for trial. The timetable for the appeal hearing had not been confirmed as of the Latest Practicable Date.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that:

- the lower court’s ruling requires removal of the allegedly infringing elements and features from the web page version of *Legendary World* only and does not indicate that the web page version of *Legendary World* in its entirety infringes copyrights allegedly associated with *The Legend of Mir II*;
- the lower court’s ruling does not need to be enforced until such ruling is affirmed by the higher court; and
- even if the higher court denies our appeal, which is still at an early stage, and rules in favor of the plaintiffs, (i) we will still be able to continue the operation of the web page version of *Legendary World* once the allegedly infringing elements and features are removed from the web page version of *Legendary World*; and (ii) the monetary damages the plaintiffs are entitled to receive from us will likely not exceed RMB0.2 million.

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We are defending ourselves vigorously. Although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, taking into account the view of the PRC litigation expert, our Directors are of the view that:

- there will be no impediment to removal of the allegedly infringing elements and features from the web page version of Legendary World and removal of such allegedly infringing elements and features from the web page version of Legendary World will not have any material adverse effect on the operation of the web page version of Legendary World or on our business, results of operations and financial conditions, because (i) there is no technological difficulty or barrier to remove such alleged infringing elements; (ii) removal of such alleged infringing elements will not affect the operations of the game at issue. In particular, the players’ gaming experience is determined by a game product’s overall appeal, which does not depend on the existence of individual elements and features (such as virtual items like necklaces, rings, other accessories and tools) but is instead affected by the interactions of a broad range of substantive factors, from character development, play plot, to reward structure and incentives; (iii) we will still be able to continue the operation of the web page version of Legendary World once the allegedly infringing elements and features are removed from the web page version of Legendary World; and (iv) the monetary damages the plaintiffs are entitled to receive from us will likely not exceed RMB0.2 million, accounting for an insignificant portion of our revenue.
- we are entitled to the claimed monetary damages from the content provider or the licensor of the web page version of Legendary World pursuant to our collaboration agreement with the content provider or the licensor; and
- any unfavorable outcome of this lawsuit will not have any material adverse effect on the operation of the web page version of Legendary World or on our business, results of operations and financial conditions.

Lawsuit B

In February 2018, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed a lawsuit in the Primary People’s Court of Shanghai Pudong New Area alleging that (i) the mobile game Dragon World (龍騰傳世) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Dragon World involves misleading advertising for using certain marketing slogans. The plaintiffs sought (i) an injunction against future copyright infringement; (ii) an injunction against future misleading advertising; and (iii) RMB0.5 million in monetary damages from us and the other co-defendants. In June 2020, the court ruled partially in favor of the plaintiffs, including (i) an order that the misleading advertising be ceased; and (ii) an order that awards the plaintiffs RMB0.1 million in monetary damages payable by us. The court explicitly dismissed the copyright infringement claim. We and the other co-defendants did not believe there was an infringement in the first instance, and the court explicitly dismissed the copyright infringement claim. In addition, we and the other co-defendants and the plaintiffs have appealed to the Shanghai Intellectual

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Property Court. In June 2023, the Shanghai Intellectual Property Court upheld the lower court’s decision. As of the Latest Practicable Date, we had paid the monetary damages in full and the lawsuit was closed.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that:

- the allegedly misleading advertising had been ceased and the court explicitly dismissed the copyright infringement claim;
- we will still be able to continue the operation of the mobile game Dragon World; and
- we had fully settled the monetary damages of RMB0.1 million payable by us in June 2023.

Taking into account the view of the PRC litigation expert we engaged, our Directors are of the view that, this lawsuit will not have any material adverse effect on the operation of Dragon World or on our business, results of operations and financial conditions.

Lawsuit C

In October 2019, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed a lawsuit in the Intermediate People’s Court of Chengdu City of Sichuan Province alleging that (i) the online game Legend of Guyun (古雲傳奇) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Legend of Guyun involves misleading advertising for using certain marketing slogans. The plaintiffs sought (i) an injunction against future infringement and unfair competition; and (ii) RMB10 million in monetary damages from us and the other co-defendants. In December 2021, the court ruled partially in favor of the plaintiffs, including (i) an order that the operation of the game at issue be ceased until the allegedly infringing commercial features are removed from Legend of Guyun; (ii) an injunction against future misleading advertising; and (iii) an order that awards the plaintiffs RMB2.85 million in monetary damages jointly and severally payable by us and the other co-defendants. We did not believe there was an infringement in the first instance. First, the game at issue was licensed to us by the game developer after reasonable diligence was done. Second, we were entitled to indemnity from the developer in the original licensing agreement, indicating a level of assurance from the game developer that there was no infringement issue when the game was licensed to us. Therefore, we and the other co-defendants have appealed to the High People’s Court of Sichuan Province, seeking to reverse the lower court’s rulings. In June 2023, the appeal hearing had been held with the High People’s Court of Sichuan Province and the ruling was pending as of the Latest Practicable Date.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that:

- the lower court’s ruling requires removal of the allegedly infringing commercial features from Legend of Guyun only and does not indicate that Legend of Guyun in its entirety infringes copyrights allegedly associated with The Legend of Mir II;

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- the lower court’s ruling does not need to be enforced until such ruling is affirmed by the higher court; and
- in the event that the higher court denies our appeal, which is still at an early stage, and rules in favor of the plaintiffs, (i) we will still be able to continue the operation of Legend of Guyun once the allegedly infringing commercial features are removed from Legend of Guyun; and (ii) the monetary damages the plaintiffs are entitled to receive from us will likely not exceed RMB2.85 million.

We are defending ourselves vigorously. Although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, taking into account the view of the PRC litigation expert we engaged, our Directors are of the view that:

- the allegedly infringing commercial features do not constitute a material component of Legend of Guyun;
- the allegedly infringing elements and features from Legend of Guyun have been removed and the removal of such allegedly infringing elements and features from Legend of Guyun did not have any material adverse effect on the operation of Legend of Guyun or on our business, results of operations and financial conditions, because (i) removal of such alleged infringing elements did not affect the operations of the game at issue; (ii) we are able to continue the operation of the game at issue after the removal of the allegedly infringing elements and features; and (iii) the monetary damages the plaintiffs are entitled to receive from us will likely not exceed RMB2.85 million, accounting for an insignificant portion of our revenue; and
- any unfavorable outcome of this lawsuit will not have any material adverse effect on the operation of Legend of Guyun or on our business, results of operations and financial conditions.

Lawsuit D

In July 2019, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed a lawsuit in the Intermediate People’s Court of Hangzhou City of Zhejiang Province alleging that (i) the online game Legend of Lanyue (藍月傳奇) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Legend of Lanyue involves misleading advertising. The plaintiffs sought (i) an injunction against future copyright infringement and unfair competition; and (ii) RMB40 million in monetary damages from us and the other co-defendants. In May 2021, the court ruled partially in favor of the plaintiffs, including (i) an order that the copyright infringement be ceased; and (ii) an order that awards the plaintiffs RMB6.0 million in monetary damages payable by us and the other co-defendants. We and the other co-defendants did not believe there was an infringement in the first instance, but we had voluntarily removed the allegedly infringing elements and features of Legend of Lanyue after doing an internal benefit/cost analysis. We and the other co-defendants have appealed to the High People’s Court of Zhejiang Province, seeking to reverse the lower

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court’s rulings. On April 3, 2023, the final ruling of the High People’s Court of Zhejiang Province was delivered to us, which upheld the lower court’s decision. As of the Latest Practicable Date, the lawsuit was under enforcement procedures.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that the allegedly infringing elements and features of Legend of Lanyue have been removed from Legend of Lanyue, and Legend of Lanyue, as operated in its current form, contains no such elements or features.

Our Directors are of the view that the outcome of this lawsuit will not have any material adverse effect on the operation of Legend of Lanyue or on our business, results of operations and financial conditions, taking into account the following factors as well as the view of the PRC litigation expert we engaged:

- the allegedly infringing elements and features do not constitute a material component of Legend of Lanyue, which have been removed from Legend of Lanyue, and Legend of Lanyue, as operated in its current form, contains no such elements or features;
- the removal of such allegedly infringing elements and features from Legend of Lanyue has not had and will not have any material adverse effect on the operation of Legend of Lanyue or on our business, results of operations and financial conditions;
- we paid the monetary damages of RMB6.0 million in full in April 2023 and we are entitled to indemnity from the content provider of Legend of Lanyue pursuant to our collaboration agreement with the content provider.

Lawsuit E

In March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the High People’s Court of 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 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. The plaintiff sought (i) an injunction against the future operation of the marketing website; and (ii) RMB100.5 million in monetary damages from us and the other co-defendants. This lawsuit was still at its early stage as of the Latest Practicable Date.

With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that, (i) we are not a party to the collaboration agreement or any other ancillary documents at issue; (ii) we are not involved in the establishment or operation of the website at issue or other allegedly infringing conducts of our joint ventures; and (iii) it is highly likely that the court will rule in our favor and we will not undertake monetary damages.

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We are defending ourselves vigorously. Taking into account (i) the view of the PRC litigation expert we engaged and (ii) that the joint venture involved has agreed to indemnify us for the potential damages arising from this lawsuit, our Directors are of the view that, although there is uncertainty regarding the timing or ultimate resolution of this lawsuit, this lawsuit is not likely to have any substantive impact on our business, results of operations and financial conditions.

Based on the foregoing and the due diligence work as further elaborated below, the Joint Sponsors are not aware of the material matter that would cause them to disagree with our Directors’ views that (i) with respect to Lawsuits A and C, any unfavorable outcome of the relevant lawsuits will not have any material adverse effect on the operation of the underlying games or our Group’s business, results of operations and financial conditions, (ii) with respect to Lawsuits B and D, the outcome of the relevant lawsuits will not have any material adverse effect on the operation of the underlying games or our Group’s business, results of operations and financial conditions, and (iii) with respect to Lawsuit E, the lawsuit is not likely to have any substantive impact on our Group’s business, results of operations and financial conditions.

In addition, in June 2022, the High People’s Court of Zhejiang Province issued a ruling affirming a lower court’s verdict that ruled in favor of Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, in connection with their claims that (i) the online game Prosperous World (盛世遮天) marketed and operated by us infringes copyrights allegedly held by the plaintiffs associated with The Legend of Mir II (熱血傳奇) and (ii) Prosperous World involves unfair competition. The high court ruled that (i) copyright infringements involving certain allegedly infringing elements and features be ceased; (ii) the misleading advertising be ceased; and (iii) RMB2.3 million in monetary damages be payable by us and one of the other co-defendants, who were the game developers of Prosperous World. The allegedly infringing elements and features do not constitute a material component of Prosperous World, and removal of such allegedly infringing elements and features from Prosperous World will not have any material adverse effect on the operation of Prosperous World or on our business, results of operations and financial conditions. However, as Prosperous World had been at the decline stage in its product lifecycle during the Track Record Period, we had made a strategic decision to end the lifecycle and operation of Prosperous World in June 2021, a year before the high court’s ruling was delivered, as part of the routine adjustment to our product portfolio. In addition, as Prosperous World was no longer a part of our product portfolio, we had made a decision not to apply for a retrial of this lawsuit with the Supreme People’s Court of the PRC. We have paid in full RMB2.3 million in monetary damages payable by us.

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The table below sets forth a breakdown of the revenue attributable to the games subject to the ongoing lawsuits in absolute amount and as a percentage of our total revenue during the Track Record Period.

	For the Year Ended December 31,			For the Four Months Ended April 30,						
	2020	2021	2022	2022	2023					
	<i>(RMB in thousands, except for percentages)</i>									
Games subject to ongoing litigations										
Game L	63,521	2.2%	37,612	0.7%	21,572	0.2%	8,737	0.3%	6,324	0.3%
Game A	1,480,019	51.5%	1,370,291	23.9%	1,145,595	13.0%	438,908	15.4%	267,090	10.9%
Game M	77,255	2.7%	50,769	0.9%	24,072	0.3%	12,525	0.4%	6,265	0.3%
Total	<u>1,620,795</u>	<u>56.4%</u>	<u>1,458,672</u>	<u>25.5%</u>	<u>1,191,239</u>	<u>13.5%</u>	<u>460,170</u>	<u>16.1%</u>	<u>279,679</u>	<u>11.5%</u>

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%, 16.1% and 11.5% of our total revenue in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. We expect that the revenue percentage attributable to such games will continue to decline in the future, as we further diversity the game portfolio.

The table below sets forth a breakdown of the revenue attributable to the game product with settled IP-related lawsuit in absolute amount and as a percentage of our total revenue during the Track Record Period.

	For the Year Ended December 31,			For the Four Months Ended April 30,						
	2020	2021	2022	2022	2023					
	<i>(RMB in thousands, except for percentages)</i>									
Game C	273,843	9.5%	28,904	0.5%	—	—	—	—	—	—
Game E	148,604	5.2%	100,956	1.8%	76,813	0.9%	28,455	1.0%	15,955	0.7%
Total	<u>422,447</u>	<u>14.7%</u>	<u>129,860</u>	<u>2.3%</u>	<u>76,813</u>	<u>0.9%</u>	<u>28,455</u>	<u>1.0%</u>	<u>15,955</u>	<u>0.7%</u>

Internal Control Measures

To better safeguard ourselves against potential IP infringement risks, we have engaged an IP law specialist, Zhejiang Deepsoul Law Firm (浙江迪索律師事務所), to conduct internal trainings for us and to review the IP right registration certificates and the letters of licensing from the content developers. The IP law specialist also assists us in reviewing the representations and warranties from the licensors of the major self-developed game products that are not currently subject to legal proceedings regarding intellectual property rights of the underlying games and their undertakings on indemnifying us from and against the losses arising from the copyrights disputes in connection with the relevant games. In particular, under the terms of the relevant collaboration agreements, we are generally entitled to indemnity from the game developers, licensors or content providers for monetary damages arising from disputes that result from such collaborators’ breach of representations and warranties regarding their intellectual property rights with respect to the underlying games. Having considered the above and consulted our IP law specialist who has reviewed our policies and procedures, our Directors are of the view that we will be able to detect, prevent and mitigate IP infringement risks in the future and our existing game product portfolio is not subject to material infringement risks.

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Our Internal Control Consultant, after reviewing the findings of the IP law specialist, recommends that we take further measures to better detect, prevent and mitigate IP infringement risks in the future, including enhancing the infrastructure of our legal department and including more search items for our internal register which records details of our licensed IPs and games including their copyright registration numbers. Accordingly, we have adopted the following enhanced internal control measures:

- We have expanded our legal department to better monitor our intellectual property infringement risks. Before we enter into an IP licensing agreement, our legal department conducts independent background checks on the identity of the legal owner of the IP. For games developed based on IPs licensed by game developers, our legal department also requires the game developer to provide us with a power of attorney issued by the IP owner.
- Our legal department requires the game developer to provide its Computer Software Copyright Registration Certificate (軟件著作權登記證書) before we enter into any collaboration agreement, which also contains undertakings by the game developer to be the rightful owner of the game copyright.
- Our legal department maintains a register which records details of our licensed IPs and games including their copyright registration numbers, amongst others.
- We have formulated stringent internal procedures, for example, the “Game Launching Approval Procedure,” to standardize the approval process before launching new game products.

As confirmed by the Internal Control Consultant, it did not discover any material deficiencies during the internal control reviews relating to our IP infringement risks and therefore no follow-up internal control reviews were performed as of the Latest Practicable Date.

Our Directors are of the view that those ongoing IP lawsuits do not indicate negligence on the part of the Company or material deficiencies in our company’s internal controls for the following reasons:

- We operate in an industry where licensing and authorization constitute the ordinary course of business. According to Frost & Sullivan, it is not uncommon for a market participant, in particular, a competitive market participant like our Company, to be subject to claims or lawsuits by interested parties for any reason, including frivolous lawsuits based on unfounded claims.
- The PRC litigation expert we engaged concurs that, (i) the allegedly infringing elements and features of the games at issue do not constitute a material component of the related game; (ii) there will be no impediment to removal of the allegedly infringing elements and features or such elements and features have been removed voluntarily by us; and (iii) removal of such allegedly infringing elements and features has not had or will not

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have any material adverse effect on the operation of the games at issue. Considering the relatively short lifecycle of a game product, we will not provide reimbursement for end-users in the event that certain virtual items relating to the infringing elements are removed from our game products due to these legal claims. During the Track Record Period and up to the Latest Practicable Date, we had not received or been involved in any request from end-users to reimburse them for the removal of virtual items that are material to the game product or our business as a whole.

- We generally require the relevant content providers, licensors or game developer (as the case may be) to represent in our collaboration agreements that they possess the complete and legal rights to operate, distribute or license the operation (as the case may be) of the relevant games, and the aggregate monetary damages the plaintiffs may be entitled to receive from us only account for an insignificant portion of our total revenue.
- Our Internal Control Consultant, after reviewing the findings of the IP law specialist, agrees with our Directors that we will be able to detect, prevent and mitigate IP infringement risks in the future and our existing game product portfolio is not subject to material infringement risks. Our Internal Control Consultant conducted review work on the measures adopted by us to detect, prevent and mitigate IP infringement risks in the future and found that (i) we have adopted internal standards to regulate the review and approval processes of the launch of online games and fees charged. Such standards cover the game content, licensing and authorization documents and game publication numbers. We have also adopted internal standards for the review of advertising activities to regulate the continuous operation of game products; (ii) our Directors and responsible personnel receive trainings related to intellectual property protection from time to time to keep track of latest regulatory updates, raise awareness of intellectual property protection and improve our IP management system; (iii) before the launch of a game product, we typically conduct internal review to evaluate the risks of intellectual property infringement by reviewing relevant permits, licenses and approvals of the game product. We also engage external consultants to evaluate such risks if necessary; and (iv) we have engaged external legal consultants to review our legal rights in relation to the operation of our major game products and to verify the publication information and the requisite qualifications of such game products. Based on the above, the Internal Control Consultant finds that we have duly adopted the remedial measures recommended and taken the necessary steps to detect, prevent and mitigate IP infringement risks in the future.
- We have adopted enhanced internal control measures to better detect, prevent and mitigate IP infringement risks in the future.
- Our Internal Control Consultant is responsible for providing internal control reports on a regular basis, particularly with respect to IP related matters. We have been closely monitoring IP related issues and the ongoing litigations.

Based on the above, and because we conducted reasonable due diligence in connection with the relevant content providers, licensors or game developers (as the case may be) before we

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entered into collaboration agreements with our clients, we believe the alleged IP infringements were unintentional and did not involve any dishonest or fraudulent act on the part of our Directors, and our Directors are of the view that the above ongoing IP lawsuits do not negatively impact our Directors’ ability or tendency to operate our Company in an honest and compliant manner and thus do not negatively impact our Directors’ competency, integrity or suitability under Rules 3.08 and 3.09 of the Listing Rules. Our Directors have been attending trainings organized by external consultants including our IP law specialist and receiving reports from our legal department to understand the IP-related regulatory development and our compliance status.

The Joint Sponsors have conducted the following due diligence work with respect to the above ongoing IP lawsuits:

- (i) conducted the interview with our Company’s management and the responsible attorneys (the “**Representative Attorneys**”) engaged to represent our Group in the above ongoing IP lawsuits and reviewed the court papers, the Representative Attorneys’ legal memoranda in connection with the above ongoing IP lawsuits and the revenue breakdown by games at dispute, to understand, among others, (a) the background and the status of each of the ongoing IP lawsuits, (b) the revenue generated from the related games at dispute, (c) the impact of the ongoing IP lawsuits on our Group’s business operation and financial results, and (d) our Group’s litigation strategies, arguments and measures to mitigate the potential negative impacts;
- (ii) obtained and reviewed the collaboration agreements entered into between our Group on one side, and the relevant content providers, licensors or game developer (as the case may be) of the games at dispute on the other side, to understand the terms of collaboration and, in particular, the representation from the relevant content providers, licensors or game developer (as the case may be) that they possess the complete and legal rights to operate, distribute or license the operation (as the case may be) of the relevant games and their arrangements with our Group on liability allocation in the events of copyrights;
- (iii) discussed with Frost & Sullivan and the PRC litigation expert to understand their views as set out above in connection with the ongoing IP lawsuits; and
- (iv) conducted the background search through an independent background search agent on the PRC Operating Entities and independently conducted the desktop search on our Group’s top five games in terms of revenue contribution for each period during the Track Record Period, where no other ongoing IP lawsuits were identified.

The Joint Sponsors have conducted the following due diligence work with respect to the measures taken by our Group in relation to IP infringement risk management:

- (i) conducted the interview with our Company’s management to have an overall understanding on our Group’s policies, measures and procedures in its daily operations to detect, prevent and mitigate IP infringement;

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- (ii) obtained and reviewed (a) our Group's codified policies and regulations on IP management, trademark management, copyright management and patent management, and (b) the records retrieved from our Group's office automation system which shows the Group's legal team's IP-related review and evaluation procedures and results;
- (iii) discussed with the IP law specialist, and reviewed the review report issued by the IP law specialist, to understand, among others, the IP law specialist's findings from the review and recommendations; and
- (iv) discussed with the Internal Control Consultant and reviewed the internal control report issued by the Internal Control Consultant, to understand its views and recommendations as set out above.

To understand whether there is any implication on our Directors' competency, integrity and suitability to act as Directors from the above ongoing IP lawsuits, the Joint Sponsors have also (i) conducted the due diligence interview with each of our Directors and reviewed their academic diplomas, proofs of their past employment and industry related awards, (ii) obtained and reviewed our executive Directors' attendance records for IP-related training and the training materials, and (iii) conducted the background search through an independent background search agent on the PRC Operating Entities and our Directors, and reviewed the background search reports, where no material adverse findings were identified with respect to the competency, integrity and suitability of our Directors.

Based on the foregoing due diligence work and specifically having considered (i) our Group's due diligence in connection with the relevant content providers, licensors or game developers (as the case may be) conducted prior to entering into collaboration agreements with them (which generally includes, among others, conducting background searches on the counterparties in terms of their history, qualifications and reputation, and requesting a representation to be made by the counterparties in the collaboration agreements that they possess the complete and legal rights to operate, distribute or license the operation (as the case may be) of the relevant games), (ii) the assessments of our Internal Control Consultant and IP law specialist on our Group's measures taken to manage IP infringement risk as set out above, and (iii) the general industry background where it is not uncommon for a market participant, in particular, a competitive market participant like our Company, to be subject to claims or lawsuits by interested parties for any reason, according to Frost & Sullivan, the Joint Sponsors are not aware of any material matters that would cause them to disagree with our Company's view that the alleged IP infringements were unintentional and did not involve any dishonest or fraudulent act on the part of our Directors.

Based on the foregoing, the Joint Sponsors are not aware of any material matters that would cause them to disagree with our Directors' views that those ongoing IP lawsuits neither indicate negligence on the part of our Company, material deficiencies in our company's internal controls, nor negatively impact our Directors' competency, integrity, willingness to manage our Company's business in a law-abiding manner or our Directors' suitability under Rules 3.08 and 3.09 of the Listing Rules.

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Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any systematic non-compliance incidents.

Social Insurance and Housing Provident Fund

Background and Reasons for Non-Compliance

During the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for all of 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. During the Track Record Period, the outstanding amount of social insurance and housing provident fund contributions generally increased, which was primarily attributable to (i) the increased headcount to support our continuous business expansion; and (ii) the increase in average salaries we paid to the employees. We did not make full social insurance and housing provident fund contributions for these employees primarily because the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the preference of many of our employees not to contribute to such fund. We believe that neither the outstanding social insurance contribution nor housing provident fund contributions will have a material adverse impact on our business and 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. Such arrangement, although not uncommon in China, are not in strict compliance with relevant PRC laws and regulations. As of the Latest Practicable Date, none of the third-party service providers that we cooperate with had failed to pay, or delayed in paying, any social insurance premiums or housing provident fund contributions for our employees. We have not received any inquiry from relevant government authorities in this regard.

Legal Consequences

Pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed period and may be subject to an overdue fine of 0.05% of the

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delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to Chinese courts for compulsory enforcement. As advised by our PRC Legal Advisers, pursuant to relevant Chinese laws and regulations, the maximum potential penalties would equal to three times of the shortfall of our social insurance contribution if we failed to make required payment within the prescribed period as required by the government. Pursuant to the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》 issued by the Ministry of Human Resources and Social Security on September 21, 2018, it is strictly prohibited for the relevant authorities to collectively initiate and proactively collect historical outstanding social security contributions from enterprises. Having considered the aforementioned relevant PRC laws and regulations, and the written/oral confirmation obtained from the competent authorities, we undertake that in the event that the competent authorities require us to make up for any shortfall in our contributions and/or pay any overdue fine, we would seek timely compliance. We will regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds and settle the outstanding amount of the social insurance and housing provident as required. Given the written/oral confirmations obtained from the competent authorities, the advice from our PRC Legal Advisers and the internal control and remedial measures outlined herein, this non-compliant incident will not have a material and adverse effect on our business operation and financial performance during the Track Record Period, up to the Latest Practicable Date.

In addition, if our arrangement with third-party service providers to pay social insurance and housing provident funds for a small portion of our employees 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. As promulgated in the PRC Social Insurance Law, if we fail to comply with the requirement within a specified timeframe, we may be liable for a maximum potential fine not exceeding three times of social insurance contribution. In addition, according to the Regulation on the Administration of Housing Provident Funds, if we fail to complete the process of registering housing provident fund payment and deposit or open housing provident fund accounts for our employees within a specified timeframe, we may be subject to a fine of not less than RMB10,000 but not more than RMB50,000.

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order or been informed to settle the deficit amount.

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Internal Control Measures

We have taken the following enhanced internal control measures in connection with social insurance and housing provident fund contributions:

- *Training.* Strengthen legal compliance training to our employees responsible for compliance matters, finance and human resources;
- *Policy.* Formulate an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement;
- *Review and record-keeping.* Designate our human resources staff to review and monitor the payment status on a monthly basis;
- *Increasing awareness of development in law.* Regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and
- *External consultation.* Consult external PRC legal counsel for advice on relevant PRC laws and regulations.

Having (i) discussed with our Company’s management to understand the background and the status of such non-compliance, (ii) reviewed the legal opinion issued by our PRC Legal Adviser to understand the legal implications of such non-compliance, (iii) discussed with our Internal Control Consultant and reviewed the internal control report issued by it to understand its findings and that having performed a follow-up review it had made no further recommendation on our internal control with respect to such non-compliance incident, and (iv) reviewed the training materials and records, our Group’s codified internal control policy in connection with social insurance and housing provident fund contributions, our Group’s engagement letter with the external PRC legal counsel and the records of regular internal checks, the Joint Sponsors are of the view that the above enhanced internal control measures provide our Group with reasonable means to keep track on the relevant legal and regulatory requirements and monitor the payment status of social insurance and housing provident fund contributions in order to comply with the relevant legal and regulatory requirements on an ongoing basis.

Filing of Property Lease Agreement

Background and Reasons for Non-Compliance

As of the Latest Practicable Date, we did not own any properties and operated our businesses through 21 leased properties with an aggregated gross floor area of approximately 32,311 square meters in Guangzhou, Shenzhen, Chengmai and Shangrao. As of the Latest Practicable Date, we had registered three of our leased properties. We did not register 19 of our leased properties primarily because (i) the related landlords were in the processing of obtaining the building ownership certificate; and (ii) there were no separate building ownership certificates

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for certain leased properties and therefore which cannot be registered as leased properties. For any of our leased buildings with any of the aforementioned defects, we believe we are able to find comparable properties as alternatives at commercially acceptable terms to us if we must stop occupying any of these leased buildings, without any delay, significant costs and interruption to our business.

Legal Consequences

As advised by our PRC Legal Advisers, failure to register lease agreements would not affect the validity and enforceability of such lease agreements. However, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements. 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. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities, and the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period. As advised by our PRC Legal Advisers, the defects of such leased buildings would not materially and adversely affect our business.

Internal Control Measures

In order to minimize the potential negative impacts of the above title defects on our operations, we have obtained confirmations from all the relevant lessors where they promise to guarantee our use under the lease agreements. In addition, we will make careful inspections of the title of leased buildings before signing the lease in the future. We will also consult our external legal advisor with regard to reviewing the title certificates and other documents of our new leased buildings in order to ensure compliance with applicable Chinese laws and regulations.

Having (i) discussed with our Company's management to understand the background and the status of the non-compliance, (ii) reviewed the legal opinion issued by our PRC Legal Adviser to understand the legal implications of the non-compliance, (iii) discussed with our Internal Control Consultant and reviewed the internal control report issued by it to understand its findings and that having performed a follow-up review it had made no further recommendation on our internal control with respect to such non-compliance incident, and (iv) reviewed the confirmation letters from the relevant lessors, our Group's internal guidelines and procedures in connection with new leased buildings evaluations and title inspections and our Group's engagement letter with the external PRC legal counsel, the Joint Sponsors are of the view that the above enhanced internal control measures provide our Group with reasonable means to minimize the potential negative impacts of the above title defects on our operations and to comply with the relevant legal and regulatory requirements on an ongoing basis.

Product Returns and Product Recalls

We have formulated stringent product recall procedures. During the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any return of goods or products

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recall, safety or quality issues in connection with our consumer product business in any material respect; (ii) we were not subject to any material administrative or other penalties from the PRC government authorities in connection with product quality or food safety, and (iii) we did not receive any material complaints from consumers.

Impacts of the Recent Regulatory Changes on Our Business

Restriction on Play-time of Online Games by Minors and Real-name Registration Requirements

On August 30, 2018, the Ministry of Education (教育部) and seven other governmental departments of the PRC published the Notice of Issuance of the “Integrated Prevention and Control Program for Myopia among Children and Teenagers (《綜合防控兒童青少年近視實施方案》)” (the “**Notice**”). According to the Notice, the NPPA shall implement regulations on the total number of online games, control the number of new online games, explore the age-appropriate reminder system, and take measures to discourage the play-time of minors. For further details, please refer to “Regulatory Overview—Regulations on Real-Name Registration and Anti-Addiction” in this document.

On October 17, 2020, the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “SCNPC”) revised and promulgated the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020修訂)》), which took effect on June 1, 2021. Law of the PRC on the Protection of Minors (2020 Revision) added a new section entitled “Online Protections” which stipulates a series of provisions including but not limited to, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, and (ii) online games service providers may not provide online games services to minors from 10:00 P.M. to 8:00 A.M. the next day.

On August 30, 2021, the NPPA issued the Notice on Further Preventing 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》), which became effective on September 1, 2021, imposing stricter time limits for playing online games by minors, and providing 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. In addition, pursuant to the minor protection laws and regulations in the PRC, users are required to submit their identification number to the Anti-addiction and Real Name Authentication System for Online Games operated by the relevant government authorities in the PRC (the “**Anti-addiction and Real Name Authentication System**”) which would automatically verify the users’ identity and decipher the users’ age based on the compilation of the identification number (the “**Real-name Registration**”). Our Group has integrated our in-game system with the Anti-addiction and Real Name Authentication System in order to complete the Real-name Registration for users who downloaded and registered for our games, hence we have collected and ascertained the accuracy of the age information directly from such users and are able to implement the relevant anti-addiction control measures including banning the access of underage users and/or users with trial account which fail to provide

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information for real name registration. As such, we believe such requirements would not have a material adverse impact on our operational and financial conditions considering that the majority of the games we marketed and operated are RPG, which according to Frost & Sullivan, are mid-core to hardcore games that mainly attract players aged over 18, which do not fall within the targeted demographics of the Notice, i.e. minors. Having consulted with our PRC Legal Adviser, in the PRC minors refer to persons under the age of 18.

During the Track Record Period, the gross billings contributed by players aged under 18 accounted an insignificant portion of our total gross billings (less than 0.05%). We implemented policies to protect minors according to applicable laws and regulations. As of the Latest Practicable Date, we had ceased allowing access of minors to our game products.

Our Directors believe that we have properly implemented all the minor protection control measures that are legally required and practically available, and based on the industry practice, our PRC Legal Adviser is of the view that up to the Latest Practicable Date, our current minor protection measures were in compliance with the relevant PRC laws and regulations in all material respects. We have adopted and implemented measures to discourage our end-users from spending too much time playing the games we marketed and operated, including displaying messages to such effect every time when the player start the game.

Cybersecurity Review

On November 2, 2022, our PRC Legal Advisers conducted a verbal consultation with the China Cybersecurity Review Technology and Certification Center (“CCRC”), the authority responsible for receiving application materials, conducting formal reviews of such materials, and organizing specific reviews under the guidance of the CAC, through CCRC’s official enquiry line (010-82261114) published on the official website of CCRC. Pursuant to the verbal consultation, the proposed [REDACTED] is not deemed as [REDACTED] abroad and regarding the proposed [REDACTED], we are not required to apply for cybersecurity review.

To the best knowledge of our Directors and based on the reviews conducted by our legal and technical department, our Directors confirms that we only received certain enquiries, announcement or notification regarding cybersecurity, collection of personal information or classification filing of value-added telecommunication business licenses from local authorities and we have not been involved in any investigations or cybersecurity review made by the Cyberspace Administration of China (the “CAC”) and we have not received any penalties or sanctions related to cybersecurity or personal information from government authorities. Having attended the verbal consultation with CCRC, discussed with the Joint Sponsors’ PRC legal advisers and reviewed the results of the reviews conducted by the legal and technical department of our Group, the Joint Sponsors are not aware of the material matter that would cause them to have reasonable doubts on the aforesaid confirmation from our Directors on the compliance status. To the best knowledge of the Company and based on the reviews conducted by the our legal and technical department and the advice of our PRC Legal advisers, we have not been identified as a “critical information infrastructure operator” by any governmental authorities. We

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will continue to closely monitor and assess the latest development and requirements of new regulations and timely implement necessary measures going forward.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognize that effective risk management and internal control are critical to ensure successful business operation. As such, we have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information systems, internal control, human resources and regulatory compliance.

Financial reporting risk management

We have implemented a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance department and staff management policies. We have various procedures in place to implement accounting policies and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Investment policies and risk management

We have established a set of investment policies and internal control measures to achieve reasonable returns on our idle cash while mitigating our exposure to investment risks. Our purchase plan for financial products is prepared by our finance department based on our capital conditions and approved by our director of finance and the vice general manager.

We believe that investment in low-risk financial products helps us make better use of our cash, expand our source of income while ensuring sufficient cash flow for business operations or capital expenditures. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of financial products while mitigating our exposure to investment risks. These policies and measures primarily include:

- Our finance department is responsible for selecting and monitoring the performance of financial products. We generally designate qualified personnel in our finance department to work on the investment of financial products. The investment decisions of our finance department are subject to the approval of our senior management team. In general, we only allow making investments to principal-guaranteed structured deposits or other wealth management products with low investment risk;

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- Our Board is responsible for overseeing all the investment decisions and evaluating the reasons for the investment and will conduct periodic review on the liquidity and interest income of our investments;
- We make investment decisions based on our estimated capital requirements in the near future and our annual financial forecast, taking into account the term, expected returns and risks of the financial products; and
- We periodically assess the liquidity, capital structure and investments position of our Group and make capital expenditure arrangement and cash flow forecast. We also regularly analyze the difference between our actual cash outflow and our cash flow forecast or our budget and make investment decisions based on such assessment and analysis results accordingly.

Information system risk management

Sufficient maintenance, storage and protection of our important data such as business and financial data and other related information is critical to our success. We have implemented relevant internal procedures and controls to ensure that our data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

We have established an information system security management framework, including relevant internal control and risk management mechanisms to manage network security, data security, anti-virus measures, approval procedure for system changes, user management, system monitoring, incident management and business continuity assurance system. We have also released clear standards and requirements for data backup and archive, and put in place a procedure of periodical data validity testing.

We provide information security training to our employees and conduct ongoing training and discuss any issues or necessary updates from time to time. We also have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis.

Our IT team is collectively responsible for our IT systems and infrastructure. Among other things, these include ensuring that the usage, maintenance and protection of user data are in compliance with our internal rules and the applicable laws and regulations.

Internal control risk management

We have designed and adopted internal control mechanisms and strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We have established an internal control team which works under the supervision of our directors and senior management members to design and improve internal control mechanisms and works

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closely with our business units to (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our Company.

We have also designed our internal and external communication policies, which provide information categorization rules, proper communication channels, confidential information management procedures, regulatory filing and public communication procedures.

In accordance with our procedures, our relevant departments examine the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by counterparties to perform their obligations under our business contracts and all necessary underlying due diligence materials, before we enter into any contract or business arrangements. We also have detailed internal procedures in place to ensure that our relevant departments review the products we market and operate and the relevant services we provided, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our internal control departments are responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Intellectual property infringement risk management

We have formulated policies to regulate the management of intellectual property rights such as computer software copyrights and trademarks. The in-house legal department and the administration department are jointly responsible for intellectual property-related management and compliance. We have adopted the following internal control measures over intellectual property infringement risks:

- We have expanded our legal department to better monitor our intellectual property infringement risks. Before we enter into an IP licensing agreement, our legal department conducts independent background checks on the identity of the legal owner of the IP. For games developed based on IPs licensed by game developers, our legal department also requires the game developer to provide us with a power of attorney issued by the IP owner.
- Our legal department requires the game developer to provide its Computer Software Copyright Registration Certificate (軟件著作權登記證書) before we enter into any collaboration agreement, which also contains undertakings by the game developer to be the rightful owner of the game copyright.
- Our legal department maintains a register which records details of our licensed IPs and games including their copyright registration numbers, amongst others.

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Human resources risk management

We provide regular and specialized training tailored to (i) the needs of our employees in different departments, and (ii) our anti-bribery and anti-corruption policy. We have a training department which regularly organizes internal training sessions conducted by senior instructors or outside consultants on topics of interest that employees can vote on. The training center schedules regular online and classroom training, reviews the content of the training, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these training sessions, we ensure that our staff’s skill sets and knowledge level of our anti-bribery and anti-corruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of exploring business.

We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

Regulatory compliance and legal risk management — anti-bribery and anti-corruption policies

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-corruption, anti-bribery and conflict of interest matters. First, as part of our risk management and internal control measures, we have adopted a series of internal regulations against corrupt, bribery and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. We have anti-corruption and rewards in return for valuable information. Fourth, our internal control department carefully evaluates risk events of potential corruption and bribery and conducts investigations when necessary. Fifth, we have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. Sixth, our internal control department conducts internal control inspections regularly. Employees are required to acknowledge and accept our internal code of business conduct and ethics that lists in detail relevant policies and regulations, including but not limited to clear definitions of bribery, corruption and interested parties. We impose on directors, senior management and employees penalties, and require compensation for any losses incurred as a result of any activities concerning bribery and corruption.

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We continually improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We also undertake compliance management over various aspects of our operations and employee activities, and have established an accountability system in respect of employees’ violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Board oversight

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have established an audit committee to review and supervise our financial reporting process and internal control system and monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, namely Ms. ZHENG Yi, Ms. SONG Siyun and Mr. QIN Yongde, whom are all independent non-executive directors. Ms. ZHENG Yi is the chairlady of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

We have also established an internal audit department which is responsible for reviewing the effectiveness of risk management policies and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the Board if necessary.

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AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received during the Track Record Period.

<u>Year</u>	<u>Award or recognition</u>	<u>Issuing authority</u>
2022	Communist of Guangxin Youth May 4th Medal Collective (廣信青年五四獎章集體)	Youth League Shangrao Guangxin District Committee (共青團上饒市廣信區委)
2022	The Most Network Positive Energy Public Welfare Award (最具清朗網絡正能量公益獎)	Guangzhou Municipal Party Committee Internet Information Office, Guangzhou Internet Industry Party Committee (廣州市委網信辦、廣州市互聯網行業黨委)
2021	Top 500 Asia Brand (亞洲品牌500 強)	Asia brand evaluation expert committee (亞洲品牌盛典組委會)
2020	National Charity Enterprise (全國慈善會愛心企業)	China Charity Federation (中華慈善總會)
2020	2020 Innovative Intelligent Marketing Award (2020 年創新智能營銷獎)	Tencent Advertisement (騰訊廣告)
2020	Best Branding Marketing Case for Games of the Year (年度最佳遊戲品牌營銷案例)	OceanEngine of ByteDance (字節跳動巨量引擎)
2019	Effect Marketing Diamond Cube Award, Charming Game Platform of the Year (效果營銷類鑽石魔方獎、年度魅力游戲平臺)	Alibaba (阿里巴巴)