

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set out in “Risk Factors.” You should read the entire document carefully before you decide to invest in the [REDACTED].

OUR BUSINESS MODEL

We are a publisher of online game products in China. 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.

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 provide marketing services in relation to 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.” 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. 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.

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

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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.

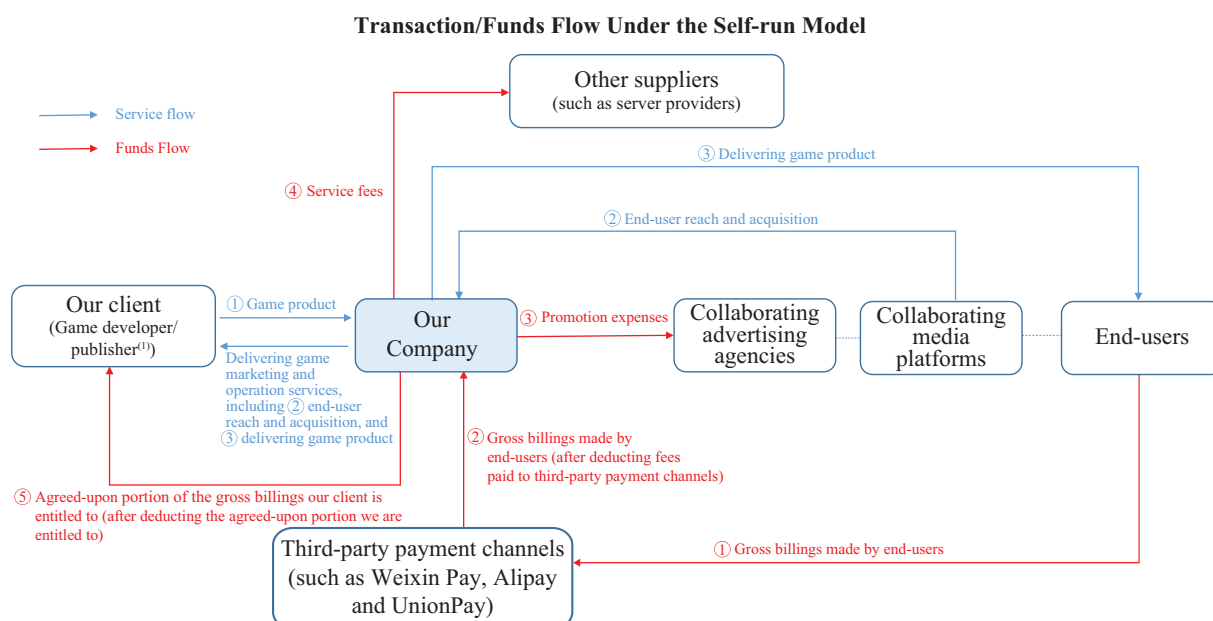
We collaborate with talented game development teams of our clients, providing our expertise, technological resources, customer service, marketing strategy and other services to achieve a successful outcome. In addition, compared with advertising agencies and media platforms, which typically serve as 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.

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



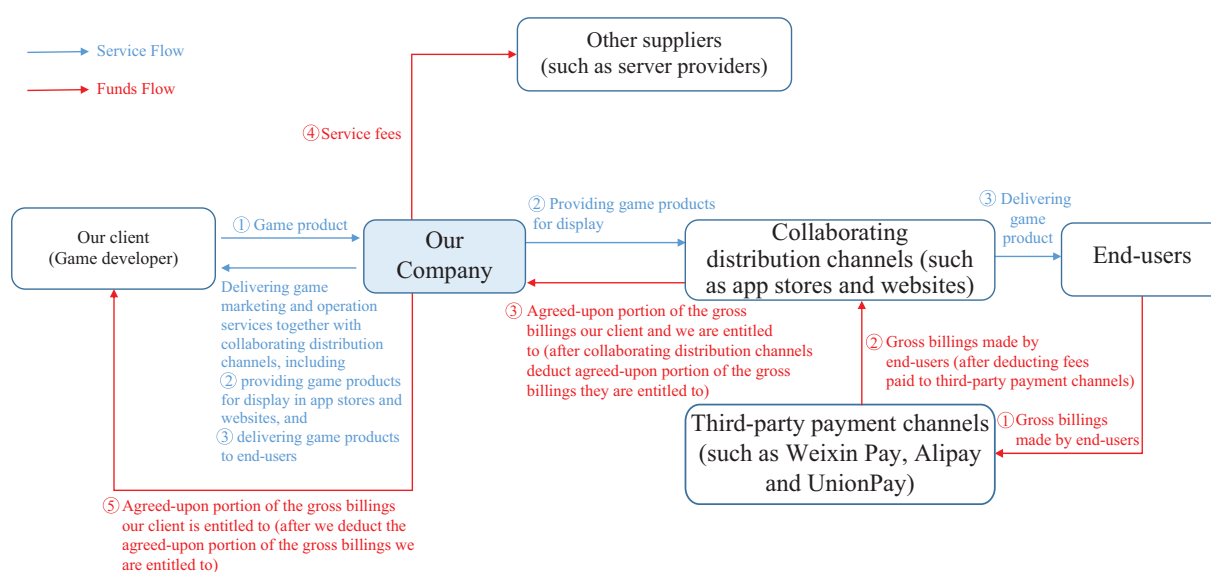
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Note:

- (1) We provide marketing and operation support services to a small number of 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. See also “Business — 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 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, a substantial majority of our revenue from marketing and operating online game products was attributable to the self-run model, accounting for 84.2%,

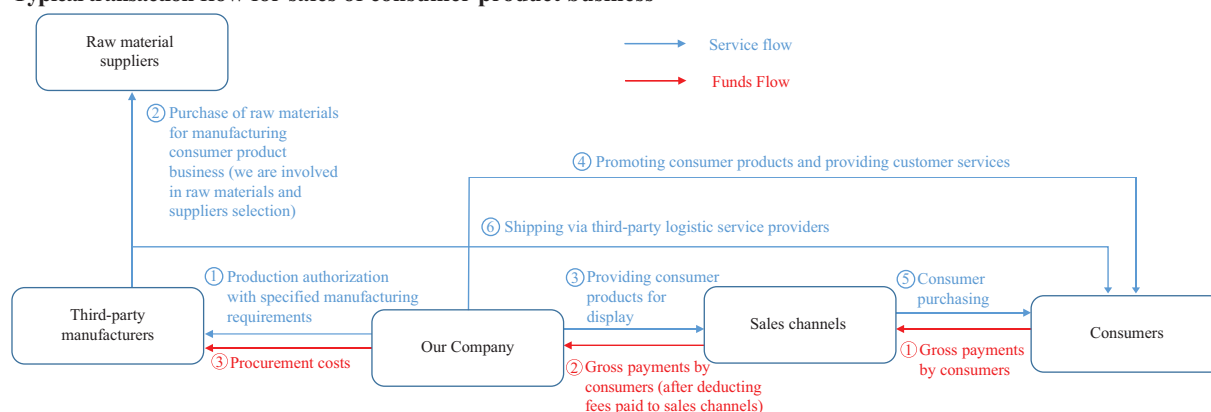
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82.8%, 72.2%, 73.0% and 65.1% our revenue from our online game publishing business in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. In the meantime, revenue from marketing and operating online game products attributable to the joint-run model increased quickly as a general trend. Revenue from marketing and operating online game products attributable to the joint-run model was RMB453.3 million, RMB977.2 million, RMB2,383.8 million, RMB753.9 million and RMB814.8 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively, accounting for 15.8%, 17.2%, 27.8%, 27.0% and 34.9% of our revenue from our online game publishing business during these periods, respectively. The breakdown of our revenue by business model (i.e., self-run and joint-run model) may affect our results of operations. For example, as our gross profit margin under the joint-run model is generally lower compared to that under the self-run model, our overall gross profit margin may decline if a higher portion of our revenue is derived from the joint-run model. See “Risk Factors — Risks Relating to Our Business and Industry — The breakdown of our revenue by business model may affect our financial performance and results of operations.” For a detailed discussion on how our profitability may be affected by the differences between the two business models, see “Business — How Our Business Generates Revenue.”

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.

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Business Model for Game Products Authorized from Third Parties

We run our online game publishing business primarily through two operation models, self-run and joint-run. For details, see “— How We Run Our Business — Operation models of our online game publishing business.”

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. 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 different models. According to Frost & Sullivan, the factors we take into consideration in determining the percentage of service fees including features, estimated commercial value and the business arrangements such as service scope and exclusivity, 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. For details, see “Business — Our Business Model — How Our Business Generates Revenue.”

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%. In 2020, 2021, 2022 and the four months ended April 30, 2023, the average service fee we were entitled to receive under the self-run model as a percentage of the total gross billings was 86%, 80%, 82% and 81%, respectively. The remaining gross billings typically go to game developer clients. 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%. In 2020, 2021, 2022 and the four months ended April 30, 2023, the average service fee we were entitled to receive for marketing and operating game products authorized by third-party game publishers under the self-run model as a percentage of the total gross billings was 11%, 13%, 15% and 15%, respectively.

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%. In 2020, 2021, 2022 and the four months ended April 30, 2023, the service fee we were entitled to receive for marketing and operating game products authorized by third-party game developers under the joint-run model as a percentage of the total gross billings was 86%, 80%, 82% and 81%, respectively. 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

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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%. The average percentage of gross billings withheld by and attributable to collaborating distribution channels was 61%, 59%, 64% and 61% in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively.

Business Model for Self-owned Game Product

During the Track Record Period, we operated Legend of Guyun (古雲傳奇) after we acquired its full ownership 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 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 ongoing 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.

Legend of Guyun is also operated under joint-run and self-run model. Under the self-run model, we are entitled to receive the total gross billings as our fees. Under the joint-run model, 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%.

Customers under our 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.

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

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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.

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 (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.

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.

Our Game Product Portfolio

The game products developed by our clients and operated by us are delivered to players in China under the “Tan Wan” brand. 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.

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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			For the Four Months Ended	Subsequent to April 30, 2023 and up to the Latest Practicable Date
	December 31,			April 30,	
	2020	2021	2022	2023	
Number of Games					
Total					
In operation at the beginning of the year/period . . .	59	49	71	105	90
Newly launched	24	73	101	22	17
Terminated ⁽¹⁾	(34)	(51)	(67)	(37)	(14)
In operation at the end of the year/period	49	71	105	90	93

Note:

- (1) 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
	December 31,			April 30,
	2020	2021	2022	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

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	As of December 31,			As of April 30,
	2020	2021	2022	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.
- (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. Our retention rate of AUs and PUs decreased in 2022 as compared to 2021 mainly because the expansion of end-user coverage leveraging our efforts in increasing exposure of certain newly-launched online game products in 2021 had lower retention rate, which was in line with industry trend for marketing and operating newly-launched game products according to Frost & Sullivan. According to the same source, the retention rate of AUs and PUs fluctuate during the lifecycle of a game product is in line with industry norm.

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The following table summarizes the revenue recognition and game developers of the five game products that contributed the most to our revenue in each year/period during the Track Record Period.

<u>Top five game products</u>	<u>Game developer/ publisher</u>	<u>Revenue (RMB in thousands)</u>
<i>For the year ended December 31, 2020</i>		
Game A	Client A ⁽¹⁾	1,480,019.4
Game B	Client B ⁽¹⁾⁽²⁾	387,506.2
Game C	Client C ⁽¹⁾	273,843.0
Game D	Client E ⁽¹⁾⁽²⁾	168,717.0
Game E	Client D ⁽¹⁾	148,603.6
Total		2,458,689.2
Percentage of total revenue		85.6%
<i>For the year ended December 31, 2021</i>		
Game A	Client A ⁽¹⁾	1,370,291.1
Game F	Client B ⁽¹⁾⁽²⁾	1,243,747.0
Game B	Client B ⁽¹⁾⁽²⁾	1,047,618.8
Game G	Client C ⁽¹⁾	813,804.5
Game H	Client C ⁽¹⁾	304,656.4
Total		4,780,118.8
Percentage of total revenue		83.3%
<i>For the year ended December 31, 2022</i>		
Game I	Client F ⁽¹⁾	1,547,625.7
Game J	Client C ⁽¹⁾	1,309,111.5
Game A	Client A ⁽¹⁾	1,145,595.1
Game B	Client B ⁽¹⁾⁽²⁾	1,108,298.6
Game F	Client B ⁽¹⁾⁽²⁾	640,526.1
Total		5,751,157.0
Percentage of total revenue		65.2%
<i>For the four months ended April 30, 2023</i>		
Game B	Client B ⁽¹⁾⁽²⁾	386,313.3
Game I	Client F ⁽¹⁾	343,110.8
Game A	Client A ⁽¹⁾	267,090.4
Game K	Client C ⁽¹⁾	199,686.3
Game F	Client B ⁽¹⁾⁽²⁾	148,436.3
Total		1,344,637.1
Percentage of total revenue		54.9%

Note:

(1) Game developer

(2) Game publisher

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See “Business — Our Online Game Publishing Business and Other Marketing Business — Our Game Product Portfolio” for details of the operating metrics of the five game products that contributed the most to our revenue in each year/period during the Track Record Period.

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. For the four months ended April 30, 2022 and 2023, we generated a profit of RMB124.6 million and RMB242.1 million, respectively. The increase was primarily due to the increase of other income and gains in the first four months of 2023 primarily as we recognized investment income of financial assets at FVTPL from the sale of equity interests in a listed company and the decrease of selling and distribution expenses, mainly because certain game products entered into a later stage of their lifecycle, resulting in less marketing and promotion expenses as well as less revenue. In 2021 and 2022, we generated a profit of RMB616.4 million and RMB491.5 million, respectively. Our profit in 2022 slightly decreased as compared to 2021, primarily due to a decrease in our gross profit margin, which is attributable to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue, the decrease in the gross profit margin for game products operated under the joint-run model, and an increase in our selling and distribution expenses to promote our newly launched games, which may not contribute greatly to our revenue until a relatively later stage. In particular, a significant portion of our profit in 2022 resulted from other income and gains, which amounted to RMB292.6 million. Our other income and gains in 2022 primarily reflected our bank deposit interests. 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.

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

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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, 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.

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

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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.

Our Major Collaborating Media Platforms

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

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 a longer lifecycle potential and poised to expand their purchasing power because of the superior user experience.

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. 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. We believe our end-user base to be one of the largest of its kind in the mobile game industry.

SUMMARY

Third, we highly value players’ feedback on the game products we market and operate. We 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.

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 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.

User Concentration and Our Mitigating Measures

Due to our strategies to constantly engage and retain core group of end-users who demonstrate high paying potential and substantial purchasing capabilities, gross billings contributed from our top 1% paying users accounted for 55.4%, 60.2%, 60.1% and 49.8%, respectively, of our total gross billings in 2020, 2021, 2022 and the four months ended April 30, 2023.

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 are diversified across various metrics, resulting in a different user base for each particular game product. Second, our in-depth operation capabilities aim to address end-user churn and facilitate a more diversified end-user base. 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 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.

For details, see “Business — Our Online Game Publishing Business and Other Marketing Business — Massive Player Network and Loyal End-User Base.”

Our Core Competitive Edges

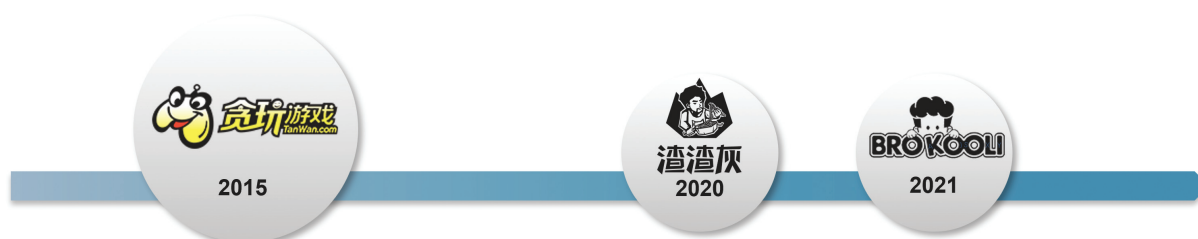
We attribute our continued growth to several distinguishing elements.

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.

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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. 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. 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.



SUMMARY OF KEY FINANCIAL INFORMATION

This summary of the key financial information set forth below have been derived from and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the Accountants’ Report in Appendix I to this document, as well as the information set forth in the section headed “Financial Information.”

SUMMARY

Summary of Consolidated Statements of Profit or Loss

The following table sets forth summary data from our consolidated statements of profit or loss in absolute amounts and as percentages of the total revenue for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023.

	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>									
	<i>(Unaudited)</i>									
Revenue	2,872,393	100.0%	5,735,718	100.0%	8,817,221	100.0%	2,846,654	100.0%	2,448,345	100.0%
Cost of sales	(433,029)	(15.1)%	(997,359)	(17.4)%	(2,407,531)	(27.3)%	(738,374)	(25.9)%	(799,741)	(32.7)%
Gross profit	2,439,364	84.9%	4,738,359	82.6%	6,409,690	72.7%	2,108,280	74.1%	1,648,604	67.3%
Other income and gains	130,479	4.5%	120,056	2.1%	292,600	3.3%	87,379	3.1%	396,629	16.2%
Selling and distribution expenses	(1,916,710)	(66.7)%	(3,851,197)	(67.1)%	(5,622,406)	(63.8)%	(1,919,143)	(67.4)%	(1,391,649)	(56.8)%
Administrative expenses	(1,349,545)	(47.0)%	(106,779)	(1.9)%	(175,696)	(2.0)%	(44,127)	(1.6)%	(85,796)	(3.5)%
Research and development costs	(472,383)	(16.4)%	(136,948)	(2.4)%	(157,738)	(1.8)%	(47,289)	(1.7)%	(57,686)	(2.4)%
Profit/(Loss) before tax	(1,223,845)	(42.6)%	680,131	11.9%	601,575	6.8%	139,101	4.9%	356,759	14.5%
Profit/(Loss) for the year/period	<u>(1,301,103)</u>	<u>(45.3)%</u>	<u>616,441</u>	<u>10.7%</u>	<u>491,522</u>	<u>5.6%</u>	<u>124,583</u>	<u>4.4%</u>	<u>242,104</u>	<u>9.9%</u>
Attributable to:										
Owners of the parent	(1,301,103)	(45.3)%	615,911	10.7%	514,067	5.8%	124,732	4.4%	219,959	9.0%
Non-controlling interests	—	—	530	0.0%	(22,545)	(0.2)%	(149)	(0.0)%	22,145	0.9%

Adjusted Profit (Non-HKFRS Measure)

To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use the adjusted profit (Non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRS measure facilitates comparisons of operating performance from period to period and provides useful information to [REDACTED] and others to understand and evaluate our consolidated results of operations in the same manner as our management.

We also believe that the non-HKFRS measures are appropriate for evaluating our operating performance. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, this non-HKFRS measure may not be comparable to similar measures presented by other companies.

We define the adjusted profit (Non-HKFRS measure) as the profit/(loss) for the year/period, excluding the share-based compensation and [REDACTED] expenses. Share-based compensations are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made during the Track Record Period. In addition, we exclude [REDACTED] expenses, as this item, which arises from activities relating to the [REDACTED].

SUMMARY

The following table sets forth the reconciliations of our non-HKFRS measure for the years/period indicated with the nearest measured prepared in accordance with HKFRS:

	For the Year Ended			For the Four	
	December 31,			Months Ended	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
Reconciliation of profit/(loss) to adjusted profit					
(Non-HKFRS measure)					
Profit/(Loss) for the year/period	(1,301,103)	616,441	491,522	124,583	242,104
Add:					
Share-based compensation	1,816,114	—	42,883	—	70,599
[REDACTED] expenses	—	11,148	25,679	6,799	17,486
Adjusted profit (Non-HKFRS measure)	<u>515,011</u>	<u>627,589</u>	<u>560,084</u>	<u>131,382</u>	<u>330,189</u>

Revenue

For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, our revenue amounted to RMB2,872.4 million, RMB5,735.7 million, RMB8,817.2 million, RMB2,846.7 million and RMB2,448.3 million, respectively. For details of the components of our revenue, see “Financial Information — Description of Major Components of Our Results of Operations — Revenue.” The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the years/periods indicated:

	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>									
	<i>(Unaudited)</i>									
Online Game Publishing										
Business and Other Marketing										
Business										
Game products operated under the self-run model	2,418,164	84.2%	4,695,963	81.9%	6,179,622	70.1%	2,040,680	71.7%	1,517,627	62.0%
— Collaboration with game developers	2,162,567	75.3%	4,597,273	80.2%	5,563,803	63.1%	1,831,877	64.4%	1,362,975	55.7%
— Collaboration with game publishers	255,597	8.9%	98,690	1.7%	85,586	1.0%	29,001	1.0%	28,011	1.1%
— Self-owned game	—	—	—	—	530,233	6.0%	179,802	6.3%	126,641	5.2%
Game products operated under the joint-run model	453,343	15.8%	977,156	17.0%	2,383,819	27.0%	753,932	26.5%	814,826	33.3%
— Collaboration with game developers	453,343	15.8%	977,156	17.0%	1,768,457	20.1%	494,826	17.4%	674,377	27.5%
— Self-owned game	—	—	—	—	615,362	7.0%	259,106	9.1%	140,449	5.7%
Others	886	0.0%	32,271	0.6%	38,022	0.4%	16,502	0.6%	34,074	1.4%
Subtotal	<u>2,872,393</u>	<u>100.0%</u>	<u>5,705,390</u>	<u>99.5%</u>	<u>8,601,463</u>	<u>97.6%</u>	<u>2,811,114</u>	<u>98.8%</u>	<u>2,366,527</u>	<u>96.7%</u>
Consumer Product Business	<u>—</u>	<u>—</u>	<u>30,328</u>	<u>0.5%</u>	<u>215,758</u>	<u>2.4%</u>	<u>35,540</u>	<u>1.2%</u>	<u>81,818</u>	<u>3.3%</u>
Total	<u>2,872,393</u>	<u>100.0%</u>	<u>5,735,718</u>	<u>100.0%</u>	<u>8,817,221</u>	<u>100.0%</u>	<u>2,846,654</u>	<u>100.0%</u>	<u>2,448,345</u>	<u>100.0%</u>

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Our revenue increased significantly from RMB2,872.4 million in 2020 to RMB5,735.7 million in 2021, and further increased by 53.7% to RMB8,817.2 million in 2022. The increase in our revenue was primarily driven by an increase of our revenue generated from the online game publishing business and other marketing business for the game products we market and operate under the self-run and joint-run models, which was primarily attributable to the launch, marketing and operation of new game products, and continuous operation and performance of existing game products in the respective year. 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. For details, please see “Financial Information — Period to Period Comparison of Results of Operations.”

Cost of Sales

Our cost of sales primarily consists of (i) commissions to collaborating distribution channels under the joint-run model, primarily including third-party application stores and game co-publishers; (ii) commissions to third-party payment channels; (iii) employee salaries associated with our system maintenance and customer service personnel that are directly involved in revenue generation; (iv) share-based compensation; (v) traffic acquisition fees to collaborating online media platforms directly associated with revenue generation; (vi) cost of goods, representing the cost of procuring rice noodle products under the brand “Zha Zha Hui”; and (vii) others, primarily including bandwidth and servers custody fees, depreciation and amortization expenses. For details, please see “Financial Information — Period to Period Comparison of Results of Operations.”

The table below sets forth a breakdown of our cost of sales by business line for the years/ periods indicated:

	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>									
	<i>(Unaudited)</i>									
Online Game Publishing										
Business and Other										
Marketing Business										
Game products operated										
under the self-run model	105,730	24.4%	237,480	23.9%	283,102	11.7%	99,288	13.5%	92,734	11.4%
Game products operated										
under the joint-run model	327,287	75.6%	742,041	74.4%	1,995,912	82.9%	619,384	83.9%	655,604	82.0%
Others	12	0.0%	602	0.0%	556	0.1%	241	0.0%	586	0.2%
Subtotal	433,029	100.0%	980,123	98.3%	2,279,570	94.7%	718,913	97.4%	748,924	93.6%
Consumer Product Business	—	—	17,236	1.7%	127,961	5.3%	19,461	2.6%	50,817	6.4%
Total	433,029	100.0%	997,359	100.0%	2,407,531	100.0%	738,374	100%	799,741	100%

The cost of sales for game products operated under the self-run model primarily consists of (i) commissions to third-party payment channels; (ii) traffic acquisition fees; and (iii) others,

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primarily representing the bandwidth and servers custody fees in connection with our technology platforms, and employee salaries incurred under this model. The cost of sales for game products operated under the joint-run model primarily consists of (i) commissions to collaborating distribution channels; and (ii) others, primarily representing the bandwidth and servers custody fees in connection with our technology platforms, and employee salaries incurred under this model. The cost of sales for our consumer product business primarily consists of cost of goods, representing the cost of producing rice noodle products under the brand “Zha Zha Hui.” For details, see “Financial Information — Period to Period Comparison of Results of Operations.”

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business line for the years/periods indicated:

	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>										
<i>(Unaudited)</i>										
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
Online Game Publishing Business and Other Marketing Business										
Game products operated under the self-run model	2,312,434	95.6%	4,458,483	94.9%	5,896,520	95.4%	1,941,392	95.1%	1,424,893	93.9%
Game products operated under the joint-run model	126,056	27.8%	235,115	24.1%	387,907	16.3%	134,548	17.8%	159,222	19.5%
Others	874	98.6%	31,669	98.1%	37,466	98.5%	16,261	98.5%	33,488	98.3%
<i>Subtotal</i>	<u>2,439,364</u>	<u>84.9%</u>	<u>4,725,267</u>	<u>82.8%</u>	<u>6,321,893</u>	<u>73.5%</u>	<u>2,092,201</u>	<u>74.4%</u>	<u>1,617,603</u>	<u>68.4%</u>
Consumer Product Business	—	—	13,092	43.2%	87,797	40.7%	16,079	45.2%	31,001	37.9%
Total	<u>2,439,364</u>	<u>84.9%</u>	<u>4,738,359</u>	<u>82.6%</u>	<u>6,409,690</u>	<u>72.7%</u>	<u>2,108,280</u>	<u>74.1%</u>	<u>1,648,604</u>	<u>67.3%</u>

In 2020, 2021 and 2022, our gross profit was RMB2,439.4 million, RMB4,738.4 million and RMB6,409.7 million, respectively. The increase of our gross profit from 2020 to 2022 was primarily due to the continuous operation of game products. For the four months ended April 30, 2022 and 2023, our gross profit was RMB2,108.3 million and RMB1,648.6 million, respectively. Such decrease primarily reflected a decrease in revenue we generated from 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.

In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our gross profit margin was 84.9%, 82.6%, 72.7%, 74.1% and 67.3%, respectively. The decrease of our overall gross profit margin during the Track Record Period was primarily due to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue. For details, please see “Financial Information — Period to Period Comparison of Results of Operations.”

SUMMARY

Other Income and Gains

Our other income and gains primarily consist of (i) fair value gain on financial assets at fair value through profit or loss (FVTPL), primarily including our investments in wealth management products, listed equity investments and fund investments; and (ii) investment income from financial assets at FVTPL. For the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, we recorded other income and gains of RMB130.5 million, RMB120.1 million, RMB292.6 million, RMB87.4 million and RMB396.6 million, respectively. Our other income and gains increased from RMB120.1 million in 2021 to RMB292.6 million in 2022, primarily due to (i) an increase of RMB95.7 million in interest income accrued on time deposits, which was in line with the increase in our time deposits for the same year and (ii) an increase of RMB31.2 million in VAT additional deduction and refunds, which were calculated as a percentage of the deductible input tax for the relevant period. Our other income and gains increased from RMB87.4 million for the four months ended April 30, 2022 to RMB396.6 million for the four months ended April 30, 2023, as we recognized investment income of financial assets at FVTPL from the sale of equity interests in a listed company. For details, see “Financial Information — Period to Period Comparison of Results of Operations.”

Profit/(Loss) for the Year/Period

In 2021, 2022 and the four months ended April 30, 2022 and 2023, we recognized 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, primarily due to the share-based compensation of RMB1,816.1 million paid to our employees. In 2021, we recognized profit of RMB616.4 million primarily attributable to the launch, marketing and operation of new game products and continuous operation and performance of existing game products. Our profit decreased from RMB616.4 million in 2021 to RMB491.5 million in 2022 primarily due to a decrease in our gross profit margin, which is attributable to the increase in our revenue generated from game products operated under the joint-run model (which generally have a lower gross profit margin) as a percentage of our total revenue, and an increase in our selling and distribution expenses to promote our newly launched games, which may not contribute greatly to our revenue until a relatively later stage. In particular, a significant portion of our profit in 2022 resulted from other income and gains, which amounted to RMB292.6 million. Our other income and gains in 2022 primarily reflected our bank deposit interests. Our profit increased from RMB124.6 million for the four months ended April 30, 2022 to RMB242.1 million for the four months ended April 30, 2023, primarily due to the increase of other income and gains in the first four months of 2023 as we recognized investment income of financial assets at FVTPL from the sale of equity interests in a listed company and the decrease of selling and distribution expenses, mainly because certain game products entered into a later stage of their lifecycle, resulting in less marketing and promotion expenses and less revenue.

We expect to further improve our financial performance in the near future. In particular, we have adopted and plan to continue to adopt several measures to improve our financial position: (i) continue to develop and solidify business relationships with content provider to expand our

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game product portfolio and increase our bargaining power; (ii) continue to broaden and diversify the products offered to end-users, including game products, online literature products and consumer product; and (iii) further strengthen the depth of our cooperation with third party distribution channels and media platforms; and (iv) allocate more experienced employees to market newly launched game products.

Non-Controlling Interests

We recorded loss attributable to non-controlling interests of RMB22.5 million in 2022 due to losses incurred in our non-wholly owned subsidiaries, which mainly included Guangzhou Bajiyou, HK 9 Ring and Guangzhou Tanwan Mobile Game. These subsidiaries incurred loss in 2022 mainly due to the significant marketing expenses in connection with certain newly launched game products. The game operated by Guangzhou Bajiyou is mainly Blade of Freedom (自由之刃), which was launched in April 2022 and incurred significant marketing expenses in 2022. The games operated by HK 9 Ring are Legend of Ancient Times (上古傳奇) and War of Angels (天使之戰) which were launched in 2022 and incurred significant marketing expenses as the games are under the early stage of the lifecycle. Guangzhou Tanwan Mobile Game was newly incorporated in 2022 and engaged in game development, and incurred R&D and pre-operating expenses in 2022.

We recorded profit attributable to non-controlling interests of RMB22.1 million in the four months ended April 30, 2023, due to profit generated from our non-wholly owned subsidiaries, which mainly included Hainan Zhangwan and Guangzhou Bajiyou. These subsidiaries generated profit in the first four months of 2023 mainly due to the marketing and operation of certain game products, such as Blade of Freedom (自由之刃).

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Total current assets	2,288,759	3,792,038	5,617,497	6,319,336
Total non-current assets	1,573,353	2,766,389	4,181,409	3,892,961
Total current liabilities	3,062,453	5,189,978	7,889,966	8,043,147
Total non-current liabilities	137,477	194,218	199,904	156,211
Net current liabilities	(773,694)	(1,397,940)	(2,272,469)	(1,723,811)
Net assets	662,182	1,174,231	1,709,036	2,012,939
Non-controlling interests	—	(3,482)	(22,721)	(9,886)

Our net assets increased by 17.8% from RMB1,709.0 million as of December 31, 2022 to RMB2,012.9 million as of April 30, 2023, primarily attributable to the profit for the period of

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RMB242.1 million and an increase in share incentive reserve of RMB70.6 million. Our net assets increased by 45.5% from RMB1,174.2 million as of December 31, 2021 to RMB1,709.0 million as of December 31, 2022, primarily attributable to the profit for the year of RMB491.5 million and an increase in share incentive reserve of RMB42.9 million. Our net assets increased by 77.3% from RMB662.2 million as of December 31, 2020 to RMB1,174.2 million as of December 31, 2021, primarily attributable to the profit for the year of RMB616.4 million, partially offset by the dividends of RMB100.0 million paid to the then shareholders of a subsidiary. For details, see “Accountants’ Report — Consolidated Statements of Changes in Equity” in Appendix I to this document.

We recorded net current liabilities of RMB773.7 million, RMB1,397.9 million, RMB2,272.5 million and RMB1,723.8 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The increase in our net current liabilities from 2020 to 2022 was primarily because a significant portion of our pledged deposits used to secure our bills payables and interest-bearing bank borrowings were time deposits with a term exceeding one year and therefore recorded as non-current assets. Our pledged deposits increased significantly during the Track Record Period primarily due to the increase of bank acceptance bills issued by us as a result of our business expansion. To the extent our liquidity and working capital needs are met, we believe that time deposits, compared to demand deposits, can help us better utilize our idle cash by earning a higher interest. The non-current portion of our pledged deposits was RMB876.4 million, RMB2,022.2 million, RMB3,395.6 million and RMB3,006.1 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively.

As part of our cash management policy, we monitor our pledged bank deposits regularly and prepare a bi-weekly cash flow forecast to ensure that we are able to maintain an optimal level of liquidity and meet our working capital needs. We also allocate our cash between time deposits and demand deposits, including adjusting the maturity terms of the time deposits we make, in order to maintain a healthy liquidity and working capital position. For details on our net current liability position, including our cash management policy with respect to pledged deposits, see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities.”

Although we recorded net current liabilities during the Track Record Period, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document, taking into account the financial resources available to us, including our cash and cash equivalents on hand, internally generated funds, available facilities and the estimated [REDACTED] from the [REDACTED].

SUMMARY

Summary of Consolidated Statements of Cash Flow

The following table sets forth the components of our consolidated statement of cash flows for the years/periods indicated:

	For the Year Ended			For the Four Months	
	December 31,			Ended April 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Net cash (used in)/generated from operating activities	(301,527)	2,634,831	2,282,521	1,247,763	340,458
Net cash generated from/(used in) investing activities	689,727	(2,302,397)	(3,205,834)	(1,984,148)	56,497
Net cash (used in)/generated from financing activities	(25,462)	(32,298)	443,127	404,108	(211,107)
Net increase/(decrease) in cash and cash equivalents	362,738	300,136	(480,186)	(332,277)	185,848
Cash and cash equivalents at the beginning of the year/period	30,734	393,472	693,608	693,608	213,422
Cash and cash equivalents at the end of year/period	<u>393,472</u>	<u>693,608</u>	<u>213,422</u>	<u>361,331</u>	<u>399,270</u>

In 2021, 2022 and the four months ended April 30, 2022 and 2023, our net cash generated from operating activities was RMB2,634.8 million, RMB2,282.5 million, RMB1,247.8 million and RMB340.5 million, respectively. In 2020, our net cash used in operating activities was RMB301.5 million, which was primarily attributable to the decrease of RMB996.9 million in our bills payables, because we increased the use of cash as a settlement method and streamlined our selling and distribution activities in 2020 in response to the COVID-19 outbreak.

We had a net cash outflow position of RMB480.2 million in 2022, which was primarily due to the RMB3,205.8 million we used in investing activities, which was primarily attributable to an increase in our pledged time deposit and the purchase of financial assets at FVTPL, net the financial assets at FVTPL we disposed of.

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Key Financial Ratios

The following table sets forth the key financial ratios for the year/period and as of the dates indicated:

	For the Year Ended			For the Four Months Ended	
	December 31,			April 30,	
	2020	2021	2022	2022	2023
Total revenue growth (%)	(4.5)	99.7	53.7	—	(14.0)
Gross profit margin (%) ⁽¹⁾	84.9	82.6	72.7	74.1	67.3
Net profit margin (%) ⁽²⁾	(45.3)	10.7	5.6	4.4	9.9
Adjusted profit margin (Non-HKFRS measure) (%) ⁽³⁾	17.9	10.9	6.4	4.6	13.5

	As of			As of
	December 31,			April 30,
	2020	2021	2022	2023
Current ratio ⁽⁴⁾	0.7	0.7	0.7	0.8

Notes:

- (1) Gross profit margin equals gross profit divided by revenues for the year/period and multiplied by 100%.
- (2) Net profit margin equals (loss)/profit divided by revenues for the year/period and multiplied by 100%. We incurred a net loss of RMB1,301.1 million for the year ended December 31, 2020, primarily due to a one-off share-based compensation issued in 2020. The net profit margin for the year ended December 31, 2022 was 5.6%, compared to 10.7% for the year ended December 31, 2021, primarily due to the decrease in gross profit margin. The net profit margin for the four months ended April 30, 2023 was 9.9%, compared to 4.4% for the four months ended April 30, 2022, primarily due to the increase in other income and gains and the decrease in selling and distribution expenses.
- (3) Adjusted profit margin (Non-HKFRS measure) equals adjusted profit (Non-HKFRS measure) divided by revenues for the year/period and multiplied by 100%. The higher adjusted profit margin (Non-HKFRS measure) in 2020 was primarily due to a decrease in marketing and promotion expenses in 2020 as we streamlined and optimized our selling and distribution activities in response to the COVID-19 outbreak in 2020 and the delay of the launch times of certain game products for slower development progresses than expected as a result of the COVID-19 outbreak in early 2020. The adjusted profit margin (Non-HKFRS measure) for the year ended December 31, 2022 was 6.4%, compared to 10.9% for the year ended December 31, 2021, which was primarily due to the decrease in gross profit margin. The adjusted profit margin (Non-HKFRS measure) for the four months ended April 30, 2023, was 13.5%, compared to 4.6% for the four months ended April 30, 2022, which was primarily due to a higher net profit margin for the four months ended April 30, 2023, further adjusted by a one-off share-based compensation issued in the four months ended April 30, 2023.
- (4) Current ratio is calculated as total current assets divided by total current liabilities as of the dates indicated.

For details, see “Financial Information — Key Financial Ratios.”

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different [REDACTED] may have different interpretations and criteria when determining the

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significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to [REDACTED] in our Company. Some of the major risks that we face include:

- The mobile game industry is highly competitive. If we are unable to compete effectively with existing or new competitors, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we may fail to compete with and be driven out by the market leaders in the mobile game industry, given their dominant market share and position;
- we operate in a rapidly evolving and developing industry, which makes it difficult to evaluate our future prospects;
- our historical operating results may not be indicative of our future growth, and, if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected;
- our success and revenue growth depends on our ability to attract new clients and retain our existing clients;
- we may be subject to IP infringement claims, which may be expensive to defend and may disrupt our business and operations;
- if the game products that we market and operate fail to satisfy the preferences of end-users, our business, financial condition and results of operations may be materially and adversely affected;
- we are subject to concentration risk as a substantial portion of our revenue was generated from our major clients for marketing and operating game products;
- if we fail to obtain or maintain requisite approvals, licenses or permits applicable to our business, it may have a material and adverse effect on our business and results of operations; and
- we are subject to risks associated with our collaborating business partners. Any delay or failure by such parties to successfully perform their obligations, provide reliable or satisfactory services, or operate their businesses could adversely affect our business and results of operations.

SUMMARY OF ONGOING 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

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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.”

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

From July 2017 to October 2019, Wemade Co., Ltd. and ChuanQi IP Co., Ltd., as the plaintiffs, filed four lawsuits (Lawsuits A, B, C and D) with respect to four games that we operated. As of the Latest Practicable Date, we had received final judgment from the appellate court with respect to Lawsuit B and D, while Lawsuits A and C remained pending in the relevant appellate courts. As of the Latest Practicable Date, we had fully settled the monetary damages for Lawsuit B and D in the amount of RMB6.1 million, pursuant to the appellate court’s decision to uphold lower court’s rulings. As of the Latest Practicable Date, Lawsuit B had been closed and Lawsuit D was under enforcement procedures. We believe that the infringing elements and features in these lawsuits are typically related to certain virtual items (such as virtual items like necklaces, rings, other accessories and tools) used in the game products and are not related to the concept or plot of these game products, and they do not constitute material component of the related games. Accordingly, removal of such allegedly infringing elements and features has not had or will not have any material adverse effect on the operation of the games at issue. Taking into account the view of the litigation expert we engaged, our Directors are of the view 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 have any material adverse effect on the operation of the games at issue. Although there is uncertainty regarding the timing or ultimate resolution of Lawsuits A and C, these lawsuits are not likely to have any substantive impact on our business, results of operations and financial conditions.

In March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the High People’s Court of Fujian Province (Lawsuit E) alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate the PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. 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

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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 at issue; and (iii) it is highly likely that the court will rule in our favor and we will not undertake monetary damages. 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.

For further details of the aforementioned lawsuits, see “Business — Legal Proceedings and Compliance — Legal Proceedings.”

Internal Control Measures

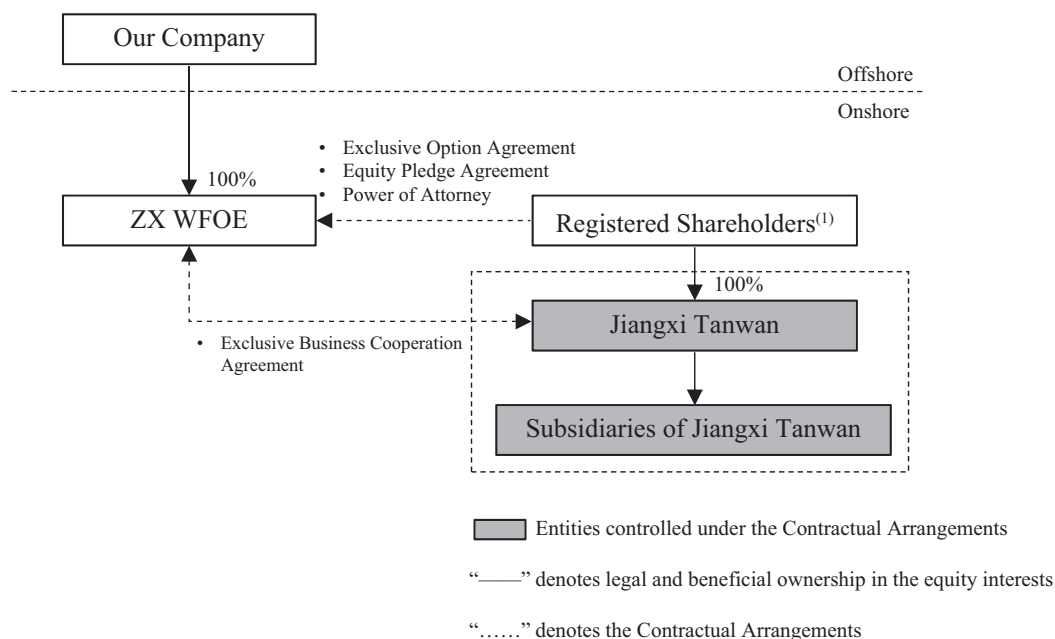
To better safeguard ourselves against potential IP infringement risks, we have engaged an IP law specialist, Zhejiang Deepsoul Law Firm (浙江迪索律師事務所), to conduct internal trainings for us and to review the IP right registration certificates and the letters of licensing from the content developers. The 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. 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. For details, please see “Business — Legal proceedings and Compliance — Legal Proceedings — Internal Control Measures.”

OUR CONTRACTUAL ARRANGEMENTS

Due to foreign investment restrictions and prohibitions in the PRC, we entered into the Contractual Arrangements whereby ZX WFOE has acquired effective control over our PRC Operating Entities. The Contractual Arrangements allow the results of operations and assets and liabilities of our PRC Operating Entities to be consolidated into our results of operations and assets and liabilities under HKFRS as if they were our subsidiaries. See “Contractual Arrangements.”

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The following simplified diagram illustrates the Contractual Arrangements:



Note:

- (1) For further details of the shareholding of Jiangxi Tanwan, see “History, Reorganization and Corporate Structure — Major Corporate Development and Shareholding Changes — Our Major PRC Operating Entities — (i) Jiangxi Tanwan.”

PRE-[REDACTED] SHARE OPTION PLAN

The Pre-[REDACTED] Share Option Plan was adopted on November 4, 2022 to enable our Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to our Group. The maximum number of Shares underlying the Pre-[REDACTED] Share Option Plan is 17,463,918 Shares, representing approximately [REDACTED]% of the issued Shares immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). As of the date of this document, the outstanding share options which have been granted under the Pre-[REDACTED] Share Option Plan for an aggregate of 17,463,918 Shares have been granted to total of 153 Eligible Participants. See “Statutory and General Information — D. Pre-[REDACTED] Share Option Plan” in Appendix IV to this document.

OUR CONTROLLING SHAREHOLDERS

Mr. WU Xubo is our co-founder, executive Director, chairman of the Board and chief executive officer. Immediately following the completion of the [REDACTED], Mr. WU Xubo, indirectly through WXB BVI 2, will hold 264,263,000 Shares, representing approximately [REDACTED]% of our total issued shares (assuming the [REDACTED] is not exercised). WXB

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BVI 2 is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively. WXB BVI 1 is wholly owned by Mr. WU Xubo. WXB Holdco is wholly owned by WxLand Trust, a discretionary trust established by Mr. WU as the settlor and its beneficiaries are WXB BVI 1 and Mr. WU Xubo. Under the trust deed of the WxLand Trust, Mr. WU Xubo in his capacity as investment decision-maker of WxLand Trust shall have sole power to make decisions relating to the exercise of the voting rights in the shareholders’ meeting of WXB BVI 2 through WXB Holdco.

Accordingly, Mr. WU Xubo, WXB BVI 1, WXB BVI 2 and WXB Holdco are our group of Controlling Shareholders upon the [REDACTED] under the Listing Rules. For further background of Mr. WU Xubo, see “Directors and Senior Management.”

OUR PRE-[REDACTED] INVESTOR

On May 6, 2021, Shanghai Tianyou (a wholly-owned subsidiary of Century Huatong) acquired 5.0% of the equity interests in Jiangxi Tanwan from existing shareholders of Jiangxi Tanwan at an aggregate consideration of RMB500 million. Century Huatong is a joint stock company established in the PRC and listed on the Shenzhen Stock Exchange (SZSE:002602). Century Huatong is engaged in, among others, the development and distribution of online games, and owns several popular game IPs. For details, please see “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investment” of this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED] in, our Shares to be issued pursuant to the [REDACTED] on the basis that, among other things, we satisfy the [REDACTED]/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of approximately RMB8,817.2 million for the year ended December 31, 2022 exceeds HK\$500 million, and (ii) our expected [REDACTED] at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED] range, exceeds HK\$4 billion.

FUTURE DIVIDENDS

On August 15, 2023, we declared a special dividend in the amount of RMB50.0 million, the payment of which will be fully settled prior to the [REDACTED] by cash using our internal resources. Our Directors believe that the distribution and payment of the special dividend will not have a material impact on the sufficiency of our working capital after the [REDACTED] and we will be able to maintain sufficient funds to meet our working capital requirements.

We also declared and paid a total of dividends of RMB100.0 million in respect of the year ended December 31, 2020. Other than that, no dividends had been paid or declared by us since our incorporation, or by any of the subsidiaries of our Group during the Track Record Period. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividend will also depend on the availability of dividends received from

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our subsidiaries. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. [REDACTED] should not purchase our shares with the expectation of receiving cash dividends. Our historical dividend distributions are not indicative of our future dividend distribution. We cannot assure you that we will be able to distribute dividends in the future.

[REDACTED] STATISTICS⁽¹⁾

	Based on an [REDACTED] of HK\$[REDACTED]	Based on an [REDACTED] of HK\$[REDACTED]
[REDACTED] of our Shares ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) All statistics in this table are on the assumption that the [REDACTED] are not exercised.
- (2) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED].
- (3) The pro forma adjusted consolidated net tangible assets of our Company attributable to owners of our Company per Share is calculated after making the adjustments referred to in “Financial Information—Unaudited Pro Forma Statement of Adjusted Net Tangible Assets.”

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] range stated in this document. We currently intend to apply these [REDACTED] for the following purposes:

- approximately 30.0%, or HK\$[REDACTED], will be used to enhance and expand our online game publishing business and other marketing business and consumer product business over the next four years, including: (i) approximately 25.0%, or HK\$[REDACTED], will be used to enhance and expand the product/sector coverage of our online game publishing business and other marketing business; and (ii) approximately 5.0%, or HK\$[REDACTED], will be used to enhance and expand our consumer product business.

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- approximately 30.0%, or HK\$[REDACTED], will be allocated to expand and deepen our partnership with major market participants throughout the full lifecycle value chain to fulfill our growth strategy over the next four years, including (i) approximately 28.0%, or HK\$[REDACTED], will be used to strengthen our relationships with mainstream media platforms to enhance our brand awareness and end-user coverage, including (i) increasing marketing expenses with mainstream online media platforms to meet the evolving needs of the end-users and to further expand our collaborations with new online media platforms; (ii) expanding offline mainstream media platform collaborations, mainly through media promotion and multi-dimension offline marketing activities; (iii) promoting consumer product business through offline channels in second-tier cities or cities with great market potentials; and (iv) collaborating with external professional marketing team to design marketing materials for our integrated online and offline marketing activities; and (ii) approximately 2.0%, or HK\$[REDACTED], will be used to hire additional marketing and operation personnel with competitive compensation.
- approximately 10.0%, or HK\$[REDACTED], will be allocated to improve our technology infrastructure and enhance our internal research and development capabilities over the next four years, including (i) approximately 6.0%, or HK\$[REDACTED], will be used to upgrade and strengthen our IT infrastructure to support our business growth; and (ii) approximately 4.0%, or HK\$[REDACTED], will be used to recruit 60 more IT staff in the next four years, including programmers, software developing and testing engineers, big data developers and algorithm experts.
- approximately 10.0%, or HK\$[REDACTED], will be used to support our overall strategies of expanding into select markets outside China and developing our overseas operation over the next four years, including (i) approximately 4.5%, or HK\$[REDACTED], will be used to expand the market share of our online game publishing business and consumer product business; (ii) approximately 4.0%, or HK\$[REDACTED], will be used to develop our online game publishing capabilities overseas through engaging international celebrities and KOLs to enhance our brand recognition; and (iii) approximately 1.5%, or HK\$[REDACTED], will be used to recruit additional talents to support our expansion and development strategies in overseas markets over the next four years.
- approximately 10.0%, or HK\$[REDACTED], will be used for exploring potential strategic acquisition opportunities starting from the second through the fourth year after the [REDACTED]. We believe it will allow us to expand our existing game product offerings, improve our technology capabilities, and enhance our value proposition to our clients.
- approximately 10.0%, or HK\$[REDACTED], will be used for our working capital and general corporate purposes. For details, see “Future Plans and Use of [REDACTED].”

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK\$[REDACTED] per [REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] is approximately RMB[REDACTED],

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representing [REDACTED]% of the total [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (RMB[REDACTED]). We had incurred [REDACTED] expenses of RMB63.2 million as of April 30, 2023, of which RMB54.3 million has been charged to our consolidated statements of profit or loss and other comprehensive income and RMB8.9 million will be deducted from equity. A total of RMB[REDACTED] of our [REDACTED] expenses are expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. We expect to incur additional [REDACTED] expenses of approximately RMB[REDACTED], of which RMB[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] will be deducted from equity. The balance of the [REDACTED]-related expenses of approximately RMB[REDACTED], which mainly includes [REDACTED], is expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. The balance of the non-[REDACTED]-related expenses of approximately RMB[REDACTED] primarily include fees and expenses of legal advisers and accountants of RMB[REDACTED] and other fees and expenses of RMB[REDACTED].

OUR STRENGTHS

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

- an experienced market player in China’s mobile game industry leveraging capabilities in precision marketing, in-depth operation and brand development;
- broad reach of end-user base with established stable business partnerships;
- prolonged product lifecycle and enriched product value empowered by in-depth operation capabilities;
- robust monetization capabilities through brand development capabilities;
- continued self-reinforced intelligent technologies and R&D capabilities; and
- visionary and experienced management team.

OUR STRATEGIES

We plan to implement the following strategies:

- continue to enhance and expand online game publishing business and other marketing business;
- continue to enhance our intelligence technologies and invest in technology and innovation;

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- further enhance brand development capabilities and diversify content; and
- advance the full lifecycle value chain and selectively pursue strategic acquisitions.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Business Development

Subsequent to the Track Record Period, our business has continued to grow. From May 1, 2023 to June 30, 2023, we published 13 new games. The following table sets forth certain operating metrics for the two months ended June 30, 2023.

	For the two months ended June 30, 2023
Average MAUs (in thousands)	7,227.7
Average MPUs (in thousands)	832.9
Retention rate of AUs ⁽¹⁾ (%)	4.3
Retention rate of PUs ⁽¹⁾ (%)	2.6
Conversion rate of PUs from AUs ⁽²⁾ (%)	11.5
	As of June 30, 2023
Number of cumulative registered end-users ⁽³⁾ (in millions)	432.9
Number of PUs ⁽⁴⁾ (in millions)	4.5

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 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.
- (4) The number of PUs are calculated as of the end of each period.

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. Second, the current economic climate, 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.

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 primarily based on

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our stable financial performance during the Track Record Period and our unique competitive strengths as compared with our competitors. 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 RMB2,846.6 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. In addition, we believe we have certain competitive strengths that will help us maintain a competitive edge and handle the market volatility. See “Our Business — Our Competitive Strengths” for a detailed description of our strengths over our competitors.

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.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since April 30, 2023, which is the end date of the periods reported on in the Accountants’ Report included in Appendix I to this document, and there is no event since April 30, 2023 that would materially affect the information as set out in the and the Accountants’ Report included in Appendix I to this document.