

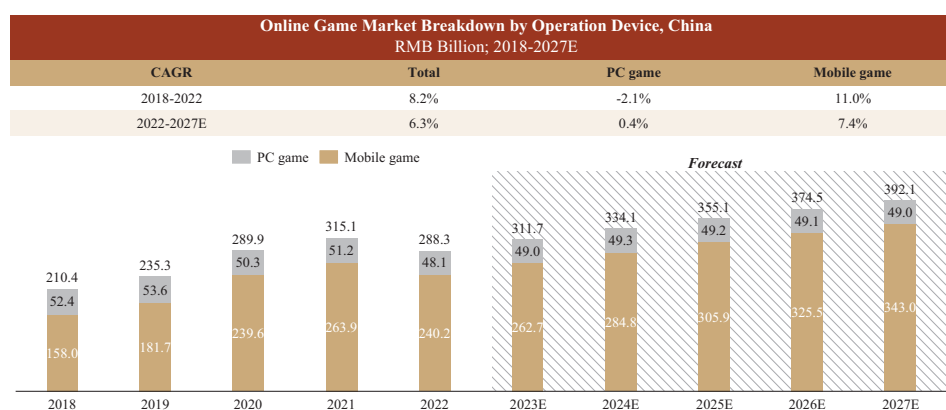
## INDUSTRY OVERVIEW

*This section contains certain information and statistics relating to our industry which are derived from official government sources. In addition, this section and elsewhere in the document contain information extracted from a report prepared by Frost & Sullivan, or the F&S Report, commissioned by us for purposes of this document. We believe that the sources of the information in this Industry Overview section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the F&S Report which may qualify, contradict or have an adverse impact on the quality of information in this section. However, the information from official government sources has not been independently verified by us, the [REDACTED], Joint Sponsors or any other party, involved in the [REDACTED] and no representation is given as to its accuracy.*

### THE ONLINE GAME MARKET IN CHINA

Following the proliferation of China’s entertainment industry, the policy environment faced by China’s online game industry expects to remain sound over the long term. Consequently, China’s online game market has been expanding rapidly, and since 2015, China has been the world’s largest market of online games in terms of user spending.

Online games can be classified as PC games and mobile games depending on operating devices. PC games include games installed in PCs and games played through PC web browsers. PC games generally involve a longer development cycle, resulting in high development and marketing costs. Mobile games are distributed on mobile devices leveraging the mobile internet platform, which generally have a higher playing frequency. Mobile games can be played anytime anywhere without restrictions on physical location. The market size of the online game market in China in terms of user spending increased from RMB210.4 billion in 2018 to RMB288.3 billion in 2022 at a CAGR of 8.2% and is expected to reach RMB392.1 billion in 2027, representing a CAGR of 6.3% from 2022 to 2027. Mobile games accounted for 83.3% of the online game market in 2022 in terms of user spending. The following chart shows a breakdown of the market size of China’s online game market in terms of user spending by operating device for the periods indicated.



Source: F&S Report

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### THE MOBILE GAME INDUSTRY IN CHINA

#### Overview

China’s mobile game industry continues to evolve from (i) technological progress, such as the introduction of and intensifying growth in video, virtual, and cloud technologies, (ii) evolving generational behaviors that drive new models of end-user engagement and loyalty for differentiated mobile game products, and (iii) ongoing impacts from the global pandemic, in which people sought more digital entertainment at home, while often avoiding larger in-person events. According to Frost & Sullivan, those three trends, coupled with the broader socioeconomic dynamics animating the modern society, are driving more innovation and competition, and China’s mobile game industry, infused by the business of imagination are riding a wave of tremendous opportunity.

Driven by the evolving mobile communication technologies, the increasing penetration of mobile users and the shift towards use of mobile devices for game products, China’s mobile game market has become the largest and fastest-growing sectors within the combined online game industry. 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 size as a percentage of China’s online game market size increased from 75.1% in 2018 to 83.3% in 2022 and is expected to further increase to 87.5% in 2027.

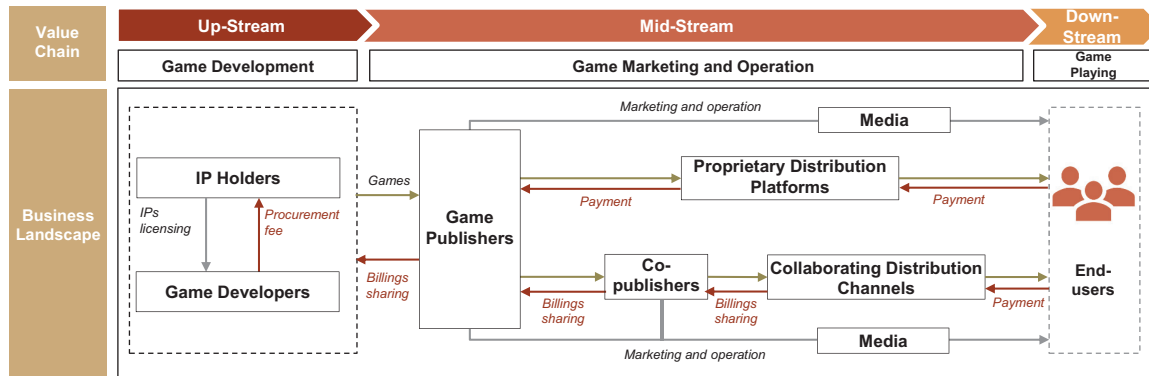
Driven by the increasing demand for cultural, leisure and recreational activities and the continuous innovation and development of the mobile game industry, China’s mobile game market is expected to continue to expand. Mobile game players account for a substantial majority of online game players in China. The total number of mobile game players grew from 593.3 million in 2018 to 654.0 million in 2022 and is expected to reach 769.3 million in 2027.

#### Lifecycle and Industry Value Chain of Mobile Games

A mobile game will typically experience three stages during its life cycle, namely the growth stage, the maturity stage and the recession stage. Generally, the growth stage accounts for approximately 20% to 30% of the mobile game’s lifecycle, the maturity stage accounts for approximately 50% to 60% of the mobile game’s lifecycle and the recession stage accounts for the remaining lifecycle. During the growth stage, the mobile game is launched and promoted on multiple media platforms to gain market exposures. During the maturity stage, the mobile game aggregate sufficient user base and market share, and game developers and publishers continue introduce regular upgrades and refine marketing and operation strategies to extend the maturity length of the game product. During the recession stage, the number of players and revenue generated from the game tends to decrease or remain at a relatively stable level.

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The major participants of the value chain for China’s mobile game industry include IP holders, game developers, game publishers, game co-publishers, distribution channels, media platforms and end-users, as set forth below:



Source: F&S Report

Each participant in the mobile game industry plays a unique and crucial role. The creation and development of a mobile game is primarily driven by IP holders and game developers. The mobile game product is then launched and offered by game publishers and downloading channels to end-users. The preference and behavior of end-users helps to further optimize the design, operation and marketing of the game.

- **IP Holders.** Game developers or publishers who own the intellectual property of mobile games, which provides the basis for the game product development in terms of characters and graphics, amongst others.
- **Game Developers.** The person or organization that designs a new mobile game.
- **Game Publishers.** Companies that launch promotion and marketing events and follow-up game operations on behalf of the game developers. Some large game companies also have their own internal game publishing department.
- **Game Co-publishers.** Companies co-publish with the principal game publisher to implement channel-specific marketing and operation strategies to increase the exposure of the game product.
- **Downloading Channels.** Downloading channels provide game download and upgrade services and marketing, operating and payment services to end-users.
- **Media Platforms.** Platforms where game developers or operators launch marketing campaigns to maximize the exposure of the game products to maximize user acquisition.
- **End-Users.** People who play the game products and pay for virtual items for better game experience.

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The process of game publishing is multifaceted, which generally consists of distribution, marketing and operation of game products. The game products are normally launched and offered by in-house publication department of large-scale game developers and specialized game publishers to end-users. The game developers need to have sufficient funds and resources to support game development, production, distribution and operation if they decide to launch game products through their internal publication department. Many game developers do not engage in operation of their game products, because they do not always have the resources to market, deliver, and support a game product all on their own. The operation of game products requires extensive industry experience of game operators to provide full lifecycle in-depth operation to extend the life cycle and maximize the commercial value of game products. The game operators are primarily responsible for (i) assisting game developers on game design, development and optimization, as well as establishing launch schedules and marketing strategies prior to launch of game products; (ii) supporting marketing and promotion activities after game products are launched; and (iii) tracking and analyzing behavior data of end-users and providing recommendations on product optimizations, strategic adjustments and end-users retention and conversion plans. Thus, game developers tend to cooperate with specialized game publishers to launch, market and operate their game products leveraging in-depth market understanding and industry experience of specialized game publishers. The professional services provided by specialized game publishers are able to further improve the marketability and profitability of game products. For example, the length of life cycle of a hardcore game product, particularly RPG, relies heavily on precision marketing and in-depth operation, according to Frost & Sullivan. The game developers for hardcore game products do not always have sufficient sources to market and operate game products and they tend to partner with specialized game publishers to acquire a wider end-user basis.

Similarly, our expertise in monetization of online games and marketing analytics technologies has enabled us to navigate game developers through the entire life journey of their game products, covering product evaluation, precision marketing, in-depth operation and brand development. 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. Our capabilities enable game developers to better focus their efforts on their core business, which is continued creation and refinement of game products. Since our inception, we have marketed and operated over 310 game products. Also, since our inception, we have enabled successful 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. Therefore, we believe the disintermediation risk for our online game publishing business is low.

### **Major Operation Models of Mobile Game Products**

Driven by continuous innovation in mobile smart marketing technologies and unique characteristics of mobile games, diversified models for marketing and operations of game products enable game developers to maximize monetization opportunities. Currently, there are two major models for marketing and running a mobile game product, namely, the self-run model and joint-run model. Under the self-run model, the game publisher is solely responsible for

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marketing and operating the game products primarily through its own comprehensive market evaluation capabilities powered by its own technology platform. The self-run model emphasizes brand development for newly released game products. Under the joint-run model, the game publisher partner with other co-publishers which generally refers to app store operators to jointly provide marketing and operation solutions for game products on multiple media platforms to maximize the product exposure. The joint-run model puts an emphasis on branding enhancement, which, in turn, extends the lifecycle of the game products. The following chart sets forth the main characteristics of the self-run model and joint-run model:

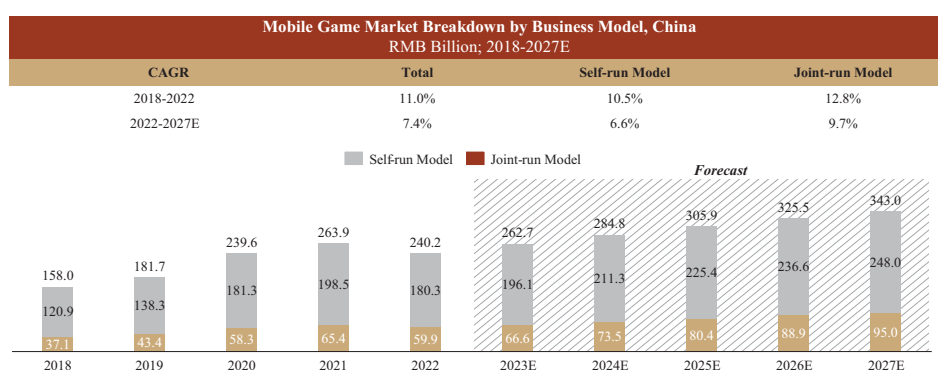
	SELF-RUN MODEL	JOINT-RUN MODEL
<b>STAKEHOLDERS</b>	<ul style="list-style-type: none"> <li>• Game developers;</li> <li>• Game publishers;</li> <li>• Media platforms.</li> </ul>	<ul style="list-style-type: none"> <li>• Game developers;</li> <li>• Game publishers;</li> <li>• Co-publishers;</li> <li>• Media platforms.</li> </ul>
<b>OPERATIONAL CHARACTERISTICS</b>	<ul style="list-style-type: none"> <li>• The game publishers independently market and operate game products.</li> <li>• Leveraging the game publishers’ own marketing awareness, sophisticated expertise and industry experience.</li> </ul>	<ul style="list-style-type: none"> <li>• The game publishers and co-publishers (including online distribution channels, i.e., major App stores) jointly market and operate game products.</li> <li>• Leveraging the co-publishers’ marketing technologies, accumulated end-users’ behavior data and traffic acquisition capabilities via App stores.</li> </ul>
<b>MARKETING CHANNELS</b>	<ul style="list-style-type: none"> <li>• Attract and retain traffic through multiple media platforms such as media platforms and short-form video platforms, particularly the top-notch media platforms in China.</li> </ul>	
<b>MAJOR DOWNLOADING CHANNELS</b>	<ul style="list-style-type: none"> <li>• Proprietary downloading platforms operated by game publishers.</li> </ul>	<ul style="list-style-type: none"> <li>• The collaborating distribution platforms operated by co-publishers.</li> </ul>
<b>FINANCIAL ARRANGEMENTS</b>	<ul style="list-style-type: none"> <li>• Mainly including advertising fees paid to media platforms.</li> <li>• Obtaining higher portion of gross billings made by end-users (after third-party payment channels deduct agreed-upon amount of commission fees they are entitled to).</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly including revenue-sharing paid to co-publishers.</li> <li>• Obtaining lesser portion of gross billings made by end-users (after third-party payment channels deduct agreed-upon amount of commission fees they are entitled to and co-publishers deduct agreed-upon portion they are entitled to).</li> </ul>

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	SELF-RUN MODEL	JOINT-RUN MODEL
<b>APPLICATION</b>	<ul style="list-style-type: none"> <li>Primarily for new game products at infancy stage.</li> </ul>	<ul style="list-style-type: none"> <li>Primarily for game products that have accumulated a marketable end-user base.</li> </ul>
<b>OBJECTIVES</b>	<ul style="list-style-type: none"> <li>To increase end-user exposure of new game products.</li> </ul>	<ul style="list-style-type: none"> <li>To emphasize brand establishment and awareness, as well as full lifecycle operation on game products.</li> </ul>
<b>ADVANTAGES</b>	<ul style="list-style-type: none"> <li>Achieve relatively lower customer acquisition cost through precision marketing;</li> <li>Positively contribute to the brand development;</li> <li>No withholding by collaborating media platforms of a portion of gross billings paid by end-users.</li> </ul>	<ul style="list-style-type: none"> <li>Stable and considerable traffic;</li> <li>Promotion of the brand of game products;</li> <li>Effectively increasing the exposure of game products and the coverage of end-users.</li> </ul>

Source: F&S Report

Mobile games operated under the self-run model accounted for a major portion of the mobile game market in recent years, but the market size of mobile games operated under the joint-run model has been growing quickly. The market size for mobile games operated under the joint-run model grew rapidly at a CAGR of 12.8% from RMB37.1 billion in 2018 to RMB59.9 billion in 2022 and is expected to reach RMB95.0 billion in 2027, representing a CAGR of 9.7% from 2022 to 2027. The following chart sets forth a breakdown of China’s mobile game market by operation model for the periods indicated:



Source: China Audio-video and Digital Publishing Association, App Annie and F&S Report

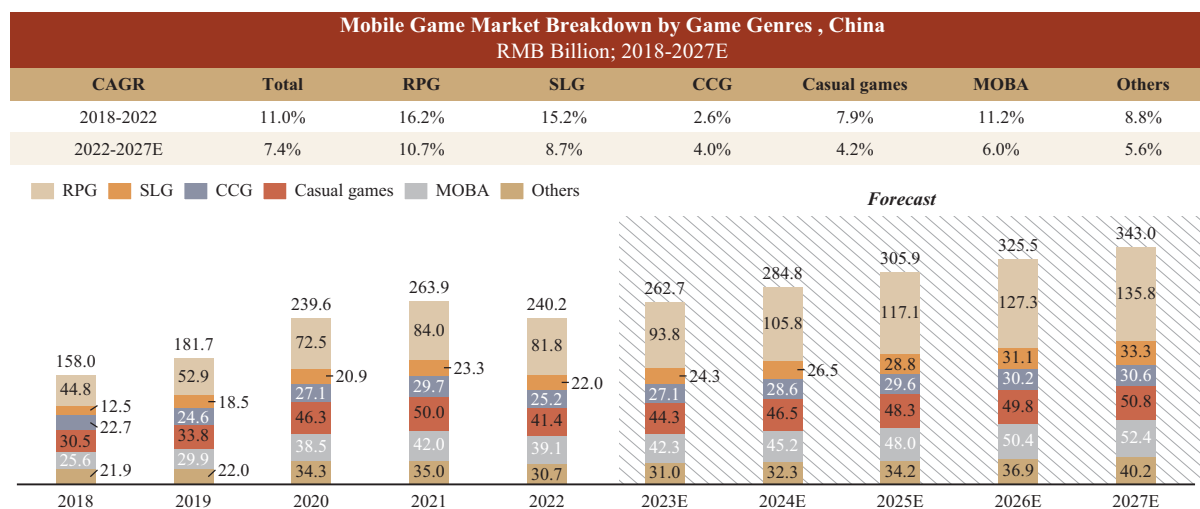
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### Major Genres of Mobile Games

Mobile games generally can be classified into various genres, and a genre may consist of multiple types of games, based on factors including dynamic game rules, player experiences and tools. Set forth below are the major genres and types of mobile games:

- *RPG (role-playing games)*: a genre of games in which a player assumes the role of a character, interacts with each other in an evolving fantasy or fictional world and takes control over the character’s actions, which generally has longer lifecycle as compared to casual games. MMORPG usually have more diverse game scene settings with a better end-user experience, which is one of the most popular types of RPG. RPGs are generally considered as hard-core games, and the lifecycle for RPGs is typically around 12 months;
- *SLG (simulation games)*: a genre of games that allows players to control characters and attempt to emulate various activities from real life in the game format;
- *CCG (collectible card games)*: a genre of games that are played using specially designed sets of playing cards;
- *Casual games*: a genre of games that is typically designed with relatively simple but attractive gameplay in a minimalistic style, such as cartoons, played by users for recreational purposes, and generally have shorter gaming time per play compared to other mobile game genres. Idle games are an important type of casual game. Casual games are regarded as mid-core or light games, and the lifecycle for casual games is typically around 10 months; and
- *MOBA (multiplayer online battle arena)*: a genre of games in which each player controls a single character, usually on an equidistant map, as part of a team competing against another team of players.

The following chart shows a breakdown of China’s mobile game market in terms of user spending by game genre for the periods indicated.



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Source: China Audio-video and Digital Publishing Association, App Annie and F&S Report

RPG, which generally have a longer lifecycle as compared to casual games, is one of the most significant genres in terms of user spending, indicating its strategic importance and market potential. Driven by the unique feature of RPG, China’s RPG market increased with a CAGR of 16.2% from RMB44.8 billion in 2018 to RMB81.8 billion in 2022, and is expected to grow to RMB135.8 billion in 2027, representing a CAGR of 10.7% from 2022 to 2027. It is expected to continue to grow with its unique sense of identification through the game characteristics and storyline settings.

### Key Drivers and Trends of China’s Mobile Game Industry

The following factors are expected to contribute to the growth of the mobile game industry, in which we operate:

- ***Increasing demand for innovative and quality game products.*** The emerging mobile game industry have resulted in the evolving demand for diversified and quality game products. The quality of the game products is considered one of the major factors that tend to influence user stickiness and willingness to purchase. People tend to try out various types of games for diversified and fun experience in game play and prefer mobile games with high-quality and innovative elements. As such, creative and high-quality game products are able to attract a large number of players and maintain a stable user base.
- ***Increasing importance of comprehensive marketing and operating capabilities.*** China’s mobile game market is expanding rapidly. However, due to the limited capital resource and industry network, small to medium game developers rely on mobile game publishers to market and operate their games. Publishing channels and media platforms also rely on publishers to provide high-quality game products to generate traffic. In addition, game publishers are actively seeking more accurate and precise methods to better target the end-users. By doing this, game publishers are able to market and operate the game products more effectively and in turn strengthen their competitive advantages in the mobile game industry.
- ***Increasing consumption and willingness to pay by mobile game players.*** As per capita disposable income continues to grow, game players in China have shown increasing willingness to pay for attractive and meaningful in-game content. Moreover, convenient payment channels and user-friendly transaction processes, such as Weixin Pay and Alipay, have facilitated user payment for in-game content, which will in turn drive the mobile game industry to grow. Moreover, 5G technology with higher transmission speed is taking over 4G given its ability to significantly improve user experience when playing online games, which further increase the players’ willingness to pay.
- ***Development of technology infrastructure.*** In 2022, the total number of 5G base stations in China has exceeded 2.3 million and is expected to exceed 9.7 million in 2027, according to Frost & Sullivan. The deployment of 5G increases the internet



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speed, which will improve quality of the animation, diversify gameplay format and advance the technology development. The implementation of online games, cloud games and high-resolution live streaming will be accessible to a wider range of people with better end-user experience. In addition, the implementation of AR/VR and big data analysis have gradually been applied to the mobile game industry, which create a better gameplay experience. The enriched functionalities of AR/VR capabilities enable the mobile game companies to develop the ecosystem in metaverse related offerings. Therefore, technological innovation is expected to set a new growth point for the mobile game industry in China.

- ***Establishment and development of innovative metaverse technologies.*** The development of innovative technologies in internet industry is marching humanity closer toward the metaverse (or metaverses), i.e., a Web 3.0 world, where people will spend more of their time in immersive, digital worlds, and the digital world will be drawn across the physical one. The rise of metaverse technologies and their applications will drive new models of customer engagement and loyalty and also lead to more mobile game product innovation, greater empowerment for their creators, and a fuller realization of the grand ambitions for the metaverse technologies in a Web 3.0 world. According to Frost & Sullivan, a Web 3.0-based mobile game world is the trajectory of the mobile game industry, and Web 3.0 is currently reshaping the online game industry with new game features that make use of blockchains. This new version of the Internet has paved the way for incorporating disruptive technologies in the gaming industry, including metaverse, virtual lands, digitized tokens and AR/VR. With Web 3.0, players will be able to utilize their in-game virtual tokens in the real world for their utilities. To address these opportunities and ensure we remain at the forefront of the mobile game industry by increasing our investments in R&D activities and pursuing strategic acquisitions. For example, we intend to allocate approximately 10.0%, or HK\$[REDACTED], of our [REDACTED] from the [REDACTED], to improve our technology capabilities, a portion of which is expected to spend on exploring technologies or technology partners with potential to develop Web 3.0-based game products. Therefore, our business strategy on this front is in line with the general trajectory of the mobile game industry.
- ***Overseas markets exploration.*** An increasing number of China’s mobile game publishers are entering overseas markets to explore potential opportunities. Many Chinese game publishers have accumulated professional knowledge of overseas markets and understanding of local taste and preference, which greatly assists them in conquering overseas markets. The growing influence of Chinses mobile game publishers has generated a substantial market share and a large user base. As a result, game publishers tend to launch game products with refined and localized features, which will set a new growth point for the mobile game industry.

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### Entry Barriers to China’s Mobile Game Industry

There are significant entry barriers and challenges in the mobile game industry in China, including the following:

- ***Relationships with business partners.*** The extensive experience gained from long-term cooperation with game developers and collaborating media platforms can assist game publishers to distribute game products more precisely. As top players have established long-term and stable relationships with game developers and media platforms, new entrants with less experience or bargaining power may have less chance to collaborate with industry-leading game developers and medial platforms. As such, it is difficult for new entrants to cooperate new game developers and collaborate with leading media platforms.
- ***Brand awareness and end-user base.*** Mobile games that are marketed and operated under the established brand generally have better chances of being well received by the market. Popular brand could accumulate a large end-user base in a short period of time. Leveraging the established brand, the marketing and operation of mobile game products may be more cost-effective. In comparison, for other new entrants without an existing end-user base, it may take longer time and higher marketing investments to attract new players.
- ***Knowledge of end-user preference and market trends.*** It is essential for game publishers to develop good knowledge of ever-changing player preferences and adjust distribution strategies in a timely manner to meet the needs of the players. Therefore, a mobile game publisher should have solid capabilities to establish algorithm platforms for complex data analysis and build comprehensive and detailed end-user profiles. Mobile game publishers rely heavily on big data analysis to ensure high-quality recommendations and precise marketing strategies. Failure to generate adequate big data or keep pace with market dynamics may adversely affect new entrants to ramp up the online game publishing business.
- ***Technology know-how.*** To market and operate high-quality mobile games that can attract and retain users and maintain a market-leading position, game publishers need to equip themselves with strong R&D capabilities. Continuous investments in R&D and infrastructure allow mobile game publishers to efficiently analyze marketing activities in order to match the products with suitable end-users. They rely heavily on advanced technologies and algorithm-based platforms to better understand the needs and expectations of end-users, as well as a team of professional talent to continuously upgrade the technology platforms. However, it may take a long time to establish a professional team or acquire technology know-how for new entrants.
- ***Emerging mobile game marketing, operation and distribution methods.*** The emerging marketing, operation and distribution methods of mobile game products have dramatically influenced the mobile game industry. Driven by the establishment and development of various media platforms, such as social media platforms and short-form video platforms, there have been several methods for end-users to access digital

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information. To better capitalize on mobile game, more innovative distribution channels and monetization models may be adopted as new sources of revenue. For instance, short video platforms such as Douyin and Kuaishou, as well as other emerging live streaming platforms have attracted a vast number of users. At the same time, mobile game publishers are actively exploring new methods to promote content to attract end-users, such as leveraging key opinion leaders and expanding live streaming categories. The ability to follow and leverage the innovative and emerging distribution methods will be important to mobile game publishers.

Specific to our company, controlling cost and operating expenses to achieve optimal operating efficiency is important to our growth and success. The level of our cost of sales, which primarily consists of commissions to collaborating distribution channels and third-party payment channels and employee benefit expenses, is subject to various factors, such as our bargaining power with collaborating distribution channels and third-party payment channels. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our cost of sales was RMB433.0 million, RMB997.4 million, RMB2,407.5 million, RMB738.4 million and RMB799.7 million, respectively. In addition, our selling and distribution expenses accounted for the largest component of our operating expenses during the Track Record Period. Our selling and distribution expenses primarily consist of marketing and promotion expenses, which mainly represent online traffic acquisition fees to collaborating online media platforms, offline marketing expenses and celebrity endorsement fees. We incurred selling and distribution expenses of RMB1,916.7 million, RMB3,851.2 million, RMB5,622.4 million, RMB1,919.1 million and RMB1,391.6 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively, which accounted for 66.7%, 67.1%, 63.8%, 67.4% and 56.8% of our total revenue, respectively. The increased selling and distribution expenses reflected our increased marketing efforts to promote our online game publishing business and end-user engagement. The decrease of selling and distribution expenses from the four months ended April 30, 2022 to the four months ended April 30, 2023 was primarily due to a decrease in marketing and promotion expenses, as certain game products entered into a later stage of their lifecycle, and therefore did not require significant marketing and promotion resources. We expect our selling and distribution expenses to remain substantial in absolute amount as we further expand our business. We believe our services have network effects that can promote our brand effectively and enhance our marketing efficiency. The self-reinforcing network effects of our services and associated operating leverage allow us to promote our brand and compete effectively by enjoying lower acquisition cost and growing product lifetime value in the future. Also, as our business grows in scale, we expect to have more operating leverage and realize structural cost savings. We believe the continued growth of our business and expansion of our market share can benefit us from economies of scale, resulting from higher utilization of our services and technologies and stronger bargaining power with the collaborating distribution channels and third-party payment channels.

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### Competitive Landscape of China’s Mobile Game Industry

The tables below illustrate the market size (in terms of revenue) and ranking of the largest platforms for marketing and operating mobile game products in China.

#### Ranking of the Leading Companies for Publishing Mobile Game Products in Terms of Revenue, China, 2022; RMB Billion

<u>Ranking</u>	<u>Company Name</u>	<u>Description</u>	<u>Revenue</u>	<u>Market Share</u>
1	Company A	A company established in 2004 and listed in Hong Kong. Company A is headquartered in Shenzhen, which provides online games and social networks services, online advertising services, fintech and business services and other online related services. Company A is one of the highest grossing multimedia companies in the world in terms of its revenue.	96.0	40.0%
2	Company B	A company established in 1997 and listed in the U.S. and Hong Kong. Company B is headquartered in Hangzhou, which provides online games, music streaming and private-label e-commerce, e-mail service and others. Company B is one of the largest internet and video game companies in the world.	36.2	15.1%
3	Company C	A company established in 2016. Company C is headquartered in Shanghai, which primarily engaged in development, marketing and operation of mobile games. In addition to games, Company C has created various products such as animated series, novels, comics, musics and merchandise.	23.0	9.6%
4	Company D	A company established in 2011 and listed in China. Company D is headquartered in Guangzhou which provides creative entertainment business based on the development, marketing and operation of online games. Company D also operates in multiple media sectors, including metaverse, film and television, music production, animation, artist agencies, cultural and healthcare content, social networking and new consumption.	10.1	4.2%
5	Our Company	-	8.3	3.5%
			173.6	72.3%

Source: Expert review conducted by F&S and F&S Report

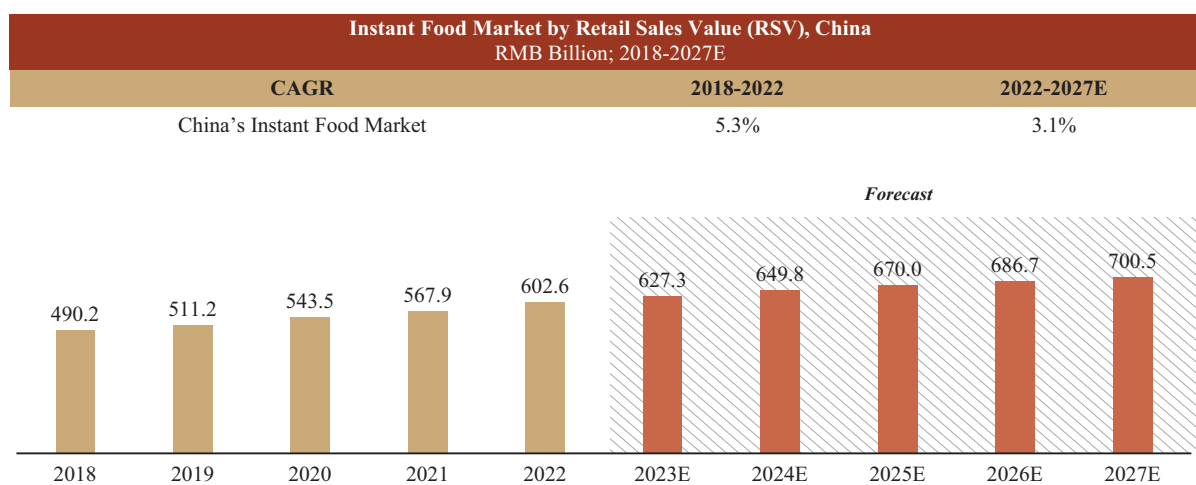
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According to Frost & Sullivan, we are the fifth largest company for publishing mobile game products in terms of revenue in China, accounting for 3.5% of the total market share in 2022. The top four participants in China’s mobile game market accounted for more than 60% of the total market share of China’s mobile game market in 2022.

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

### INSTANT FOOD INDUSTRY AND POP TOY MARKET IN CHINA

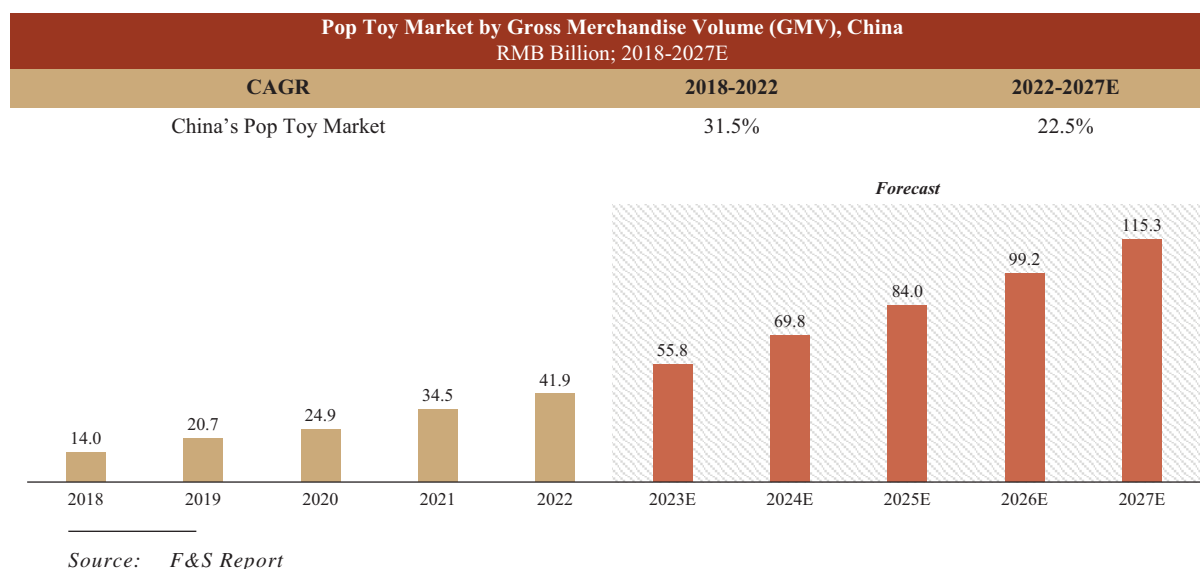
Instant food refers to the food with easy-to-make characteristics. More consumers are attracted by the simplified cooking feature of instant food, and tend to spend more on instant food to save cooking time under different consumption scenarios. The instant food industry in China increased rapidly with a CAGR of 5.3% in from RMB490.2 billion in 2018 to RMB602.6 billion in 2022. Further, the instant food industry in China is expected to reach RMB700.5 billion in 2027 with a CAGR of 3.1% from 2022 to 2027, due to the rapid development of new forms of instant food categories, including instant noodles, instant hot pot and instant pasta. The following chart shows the market size of China’s instant food market in terms of retail sales value for the periods indicated.



Source: F&S Report

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Pop toys refer to toy infused pop culture and trendy content, serving as a subtle blend of both. Driven by the increase of disposable income, rapid growth of the pop culture industry, particularly the successful development of more high-quality IPs in the market, the market size of pop toy increased rapidly from RMB14.0 billion in 2018 to RMB41.9 billion in 2022 at a CAGR of 31.5%. The pop toy market is anticipated to further increase to RMB115.3 billion in 2027 at a CAGR of 22.5% from 2022 to 2027. The following chart shows the market size of China’s pop toy market in terms of GMV for the periods indicated.



## SOURCE OF INFORMATION

We commissioned Frost & Sullivan, a market research and consulting company and an Independent Third Party, to conduct research and analysis of, and to produce a report on China’s mobile game market for the period from 2018 to 2027. The F&S Report has been prepared by Frost & Sullivan independent of the influence of our Group and other interested parties. We have agreed to pay Frost & Sullivan a total fee of RMB1.73 million for the preparation and use of the F&S Report, and we believe that such fees are consistent with the market rate. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

In preparing the report, Frost & Sullivan has relied on the statistics and information obtained through primary and secondary research. Primary research involves discussing the status of the industry with certain leading industry participants. Secondary research which involves reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the abovementioned industry key drivers.

## **INDUSTRY OVERVIEW**

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In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) global social, economic and political environment is likely to remain stable in the forecast period; (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions; and (iii) related industry key drivers are likely to drive the market in the forecast period. Except as otherwise noted, all data and forecasts in this section come from the F&S Report. Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information presented in the F&S Report since the date of its issuance which may qualify, contradict or impact the information in this section.